Listed banks in China: 2023 review and Outlook

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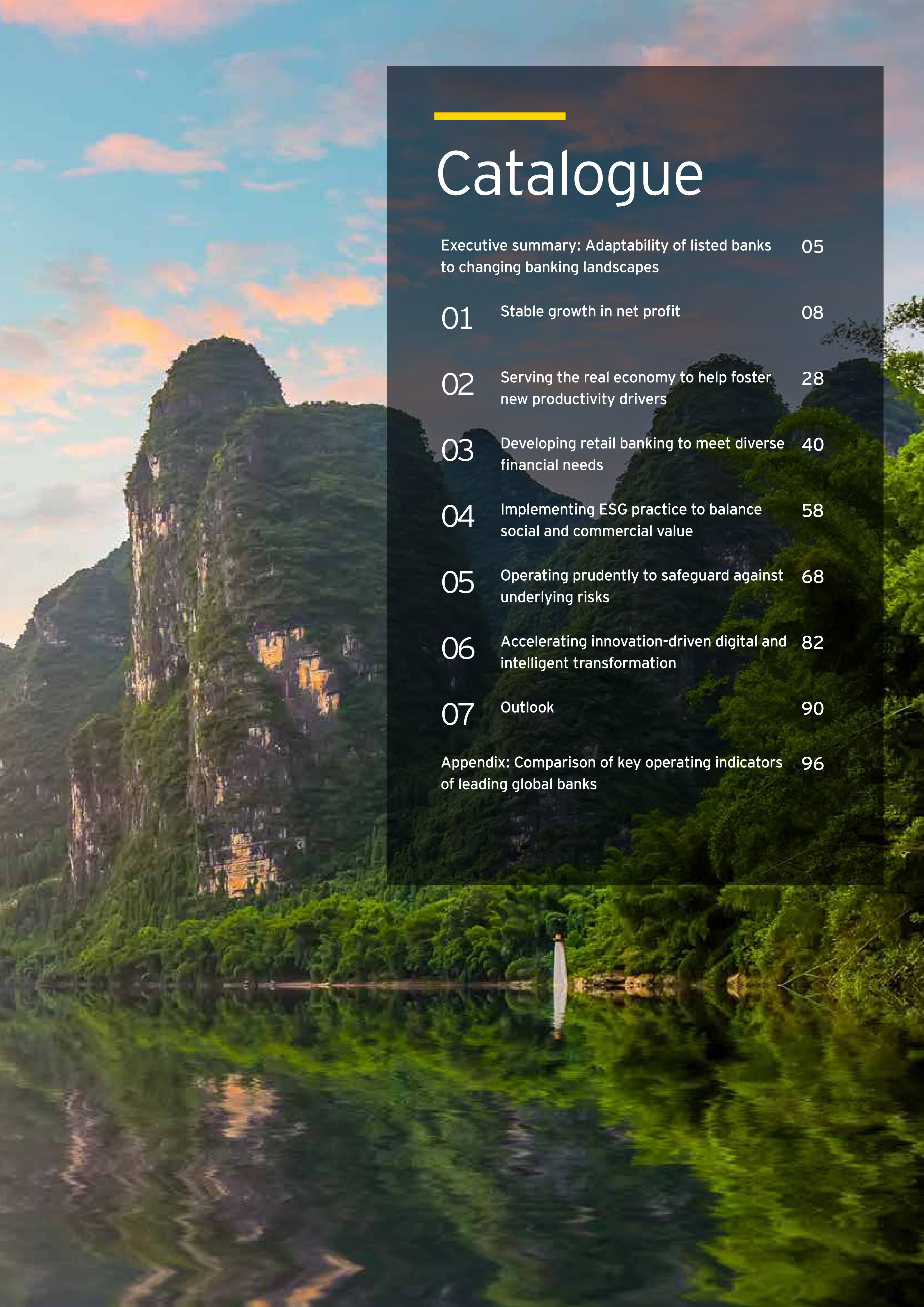

Catalogue

Introduction

This is the 17th EY Greater China annual report on China's listed banks. The purpose of this report is to provide an outlook on the direction of the future development of China's banking industry based on the observations of the businesses, operating models and regulatory environment of listed banks in Chinese Mainland.

The report covers all 58 listed banks, including 15 A+H-share listed banks, 27 A-share listed banks and 16 H-share listed banks, with total assets and net profit accounting for 83% and 91% of all commercial banks in China, respectively.

6 large banks

- Industrial and Commercial Bank of China (ICBC, A+H)
- China Construction Bank (CCB, A+H)
- Agricultural Bank of China (ABC, A+H)
- Bank of China (BOC, A+H)
- Bank of Communications (BOCOM, A+H)
- Postal Savings Bank of China (PSBC, A+H)

10 national joint-stock banks

- China Merchants Bank (CMB, A+H)
- Industrial Bank (IB, A)
- China CITIC Bank (CITIC, A+H)
- Ping An Bank (PAB, A)
- China Everbright Bank (CEB, A+H)
- Shanghai Pudong Development Bank (SPDB, A)
- China Minsheng Bank (CMBC, A+H)
- Huaxia Bank (HX, A)
- China Bohai Bank (CBHB, H)
- China Zheshang Bank (CZB, A+H)

29 city commercial banks

- Bank of Jiangsu (BJS, A)
- Bank of Beijing (BOB, A)
- Bank of Ningbo (BONB, A)
- Bank of Shanghai (BSH, A)
- Bank of Nanjing (BONJ, A)
- Huishang Bank (HSB, H)
- Bank of Hangzhou (BHZ, A)
- Bank of Chengdu (BOCD, A)
- Bank of Changsha (BOCS, A)
- Bank of Guiyang (BGY, A)
- Bank of Chongqing (BCQ, A+H)
- Bank of Suzhou (BSZ, A)
- Qilu Bank (QLB, A)
- Bank of Tianjin (BTJ, H)
- Bank of Qingdao (BQD, A+H)
- Bank of Guizhou (BGZ, H)
- Zhongyuan Bank (ZYB, H)
- Xiamen Bank (XMB, A)
- Bank of Xi'an (BOXA, A)
- Weihai City Commercial Bank (WHCCB, H)
- Jinshang Bank (JSB, H)
- Bank of Lanzhou (BLZ, A)
- Bank of Zhengzhou (BZZ, A+H)
- Jiangxi Bank (JXB, H)
- Luzhou Bank (LZB, H)
- Harbin Bank (HRB, H)
- Shengjing Bank (SJB, H)
- Bank of Jiujiang (BJJ, H)
- Bank of Gansu (BGS, H)

13 rural commercial banks

- Shanghai Rural Commercial Bank (SRCB, A)
- Chongqing Rural Commercial Bank (CQRCB, A+H)
- Dongguan Rural Commercial Bank (DRCB, H)
- Changshu Rural Commercial Bank (CSRCB, A)
- Guangzhou Rural Commercial Bank (GRCB, H)
- Qingdao Rural Commercial Bank (QRCB, A)
- Wuxi Rural Commercial Bank (WXRCB, A)
- Jiangyin Rural Commercial Bank (JYRCB, A)
- Rural Commercial Bank of Zhangjiagang (ZJGRCB, A)
- Bank of Ruifeng (BORF, A)
- Suzhou Rural Commercial Bank (SZRCB, A)
- Zijin Rural Commercial Bank (ZJRCB, A)
- Jilin Jiutai Rural Commercial Bank (JTRCB, H)

The data contained in this report, unless otherwise noted, are sourced from the annual reports published by the listed banks. Except for the data of 16 H-share listed banks from their financial statements prepared in accordance with International Financial Reporting Standards, data of other banks are collected from their financial statements prepared under the Chinese Accounting Standards for Business Enterprises. For comparison, we have made necessary adjustments to the classification of certain data in order to make them more comparable. For the listed banks that restated their financial statements, the restated figures are used in the report. Unless otherwise noted, the averages of all indicators of the listed banks are weighted averages.

Executive summary: Adaptability of listed banks to changing banking landscapes

In 2023, the global macroeconomic environment faced profound and unprecedented changes characterized by increasing complexity and growing uncertainties. The frequent occurrence of geopolitical conflicts, sluggish global economic recovery, and volatile global financial markets all created headwinds for global growth. Yet despite these challenges and the compounded effect from lackluster domestic demand, China actively responded to various external shocks and effectively spurred economic recovery. The Chinese market's GDP thus grew 5.2% year-on-year (YoY) in 2023[1], 2.2 percentage points higher than that of the previous year.

Adjustments to macroeconomic policies have posed certain challenges to the operation and performance of listed banks. This saw their net interest income (NIM) declined for four consecutive years in a low-rate environment amid slowing economic growth and lowering fee charges for supporting the real economy. In 2023, the average NIM for listed banks were 1.69%, down 25 bps from 2022 (down 54 bps from the pre-pandemic level in 2019), which led to net interest income declining to a level unseen since 2017. In addition, the net fee and commission income of the listed banks trended down for two consecutive years, decreasing by 8.05% from 2022 as fee income from wealth management, consulting and advisory businesses declined. With decrease in both net interest income, and net fee and commission income, their operating income in 2023 fell by 0.98% YOY to RMB5,869.91 billion.

To address the mounting complexity and challenges in the operating environment, listed banks doubled down to align businesses and operations with the real economy. They were committed to enhancing financing support, focusing on the development of technology finance, green finance, inclusive finance, pension finance and digital finance. To navigate macroeconomic cycles and achieve the long-term goal of high-quality development, banks increased efforts to improve operational and management efficiency, ensure prudent operation and coordinated development and operational security, to pursue steady growth.

Adapting to changes by stabilizing performance and growth. The complex and challenging operating environment aside, the listed banks achieved net profit growth by cutting costs and improving efficiency, reinforcing risk prevention and control, and lowering credit cost.

The listed banks' aggregated net profit for 2023 totaled RMB2,169 billion. While this was a YOY increase of 1.43%, growth was slower than the 7.2% registered in 2022 versus 2021. Despite a decline in operating income, they strengthened cost management across the board, registering a YOY increase in operating expense of 2.17% to RMB1,884 billion in 2023 that was slower than the YOY increase of 4.39% for 2022. They further reinforced risk prevention and control to reduce credit cost, leading to a credit cost of 0.76% in 2023, down 8 bps YOY, while impairment losses accrued in the income statement decreased by 8.82% from 2022.

Although the overall net profit of the listed banks continued to grow, different types of banks showed polarized performance. Specifically, the six largest banks all saw net profit upticks, with an average growth rate of 2.47%. Meanwhile, among the 10 national joint-stock banks, four had lower, while six had higher net profits, with an average growth rate of -3.18%. As for the 29 city commercial banks, seven had lower net profits while 22 saw improved net profits (at an average growth rate of 6.09%); while for the 13 rural commercial banks, three saw declines even as the other 10 in their peer set managed to raise net profits by an average of 1.47%. Compared with large banks, small- and medium-sized banks are more susceptible to changes in the macroeconomic environment, indicating the need to cement the foundation for development and enhance resilience.

1. Source: National Bureau of Statistics

Adapting to changes by supporting the high-quality development of the real economy. With a firm commitment to serving the real economy, the listed banks focused their primary responsibilities and businesses, optimizing financial supply and infusing financial momentum into the real economy. At the end of 2023, the total assets of the listed banks amounted to RMB293,909 billion, a YoY increase of 11.1%. Specifically, the loan balance (net of provision for impairment) totaled RMB163,321 billion, a YoY increase of 10.9%. They increased support for key areas such as tech-enterprises, advanced manufacturing and emerging strategic industries, and stepped-up efforts in cultivation of new productivity drivers. At the end of 2023, their loans to the manufacturing industry increased by 18.7% over 2022. To spur the real economy, they actively lowered fee charges and cost of financing for borrowers in 2023, which resulted in a thinner 4.14% return on loans, a decrease of 0.26 percentage point from 2022.

Adapting to changes by meeting the people's needs for a better life. The listed banks aligned their services with people's aspirations for a better life by increasing the supply of wealth management offerings and maintaining a rapid growth in retail asset management. In 2023, among those with total assets exceeding RMB1 trillion, 22 banks disclosed assets under management (AUM) data for retail business, with the total balance being RMB117 trillion, an increase of RMB10.1 trillion YOY.

The trend indicates their continued efforts to improve personal pension wealth management services and offer more product diversity to meet individuals' pension planning requirements. The listed banks also actively ramped up on their socially responsible financial activities, pushing ahead with green and inclusive financing. In 2023, the 49 listed banks that disclosed the data on green loans had a total balance of RMB22,893 billion, increasing by 40.3% YOY, significantly faster than their overall growth of loans. Similarly, the 51 listed banks that disclosed the data on inclusive loans had a total balance of RMB18,188billion, an increase of 28.4% YOY.

Adapting to changes by operating prudently with risk protections. In 2023, the listed banks maintained stable asset quality by being prudent in their operations, enhancing risk control in key areas, and improving intelligent risk control. Their non-performing loan (NPL) balance totaled RMB2,160 billion at 2023 year-end, an increase of RMB149 billion YOY. However, the corresponding weighted average NPL ratio declined from 1.33% to 1.29%.On a sectorial basis, the average NPL ratio for their corporate loans to the real estate sector rose by 0.26 percentage point to 3.80% at 2023 year-end due to exposures to the real estate sector that faced stressful operating conditions. Nevertheless, the listed banks managed to keep overall NPL ratio steady through their continued efforts to dispose of distressed assets. The weighted average allowance-to-loan ratio of listed banks at 2023 year-end was 240%, increasing YOY by 2.39 percentage points, while the provision coverage ratio (PCR) remained at a higher level.The listed banks actively replenished capital through internal and external channels and maintained the capital adequacy level stable. Their weighted average capital adequacy ratio was largely unchanged YoY at 15.8% at 2023 year-end, with the overall capacity to offset risks being adequate. While the overall asset quality of the listed banks remained stable, some small- and mid-sized listed banks faced greater pressure on asset quality, with the NPL ratio exceeding 2% in six city commercial banks and a rural commercial bank. The amount of impaired loans of city commercial banks and rural commercial banks was 25% and 51% higher than NPL balance, respectively. Deviation between NPLs and impaired loans threatened downgrade of assets.

Adapting to changes by accelerating digital intelligence transformation. As digital transformation deepens, China's listed banks' investment in technology continues to grow steadily and shifted focus to integrate technology and business and improve quality and efficiency through transformation. Twenty-five listed banks disclosed investment data in technology in their 2023 annual reports, with an aggregate amount of RMB197 billion, while 27 mentioned the number of FinTech/IT personnel totaling over 144,000. For those that disclosed headcounts, their proportion of FinTech personnel increased from 5.04% of overall FTEs in 2021 to 5.98% in 2023. With the rise of artificial intelligence (AI) technology, particularly generative AI, large AI models are increasingly attracting the attention of China's banking industry. In 2023, more listed banks began to develop larger AI models and made breakthroughs in building business scenarios and essential capabilities around intelligent investment and research, customer service, marketing, risk control and operation, nudging the banking sector from digital transformation toward digital intelligence transformation. As emphasis on the digital economy continues to rise, the listed banks are striving to deliver on their respective digital intelligence capabilities as core competencies. The progress in developing large AI models is expected to drive innovation around existing products and services, business processes, operations and business models, presenting new opportunities for the transformation and development of the industry. While the application of large AI models in the banking sector unveils bright prospects, challenges exist in practice such as those relating to data privacy and security, explainability of the model, accuracy of prediction, ethical matters and legal protection.

To cope with the increasingly fierce market competition and achieve high-quality development, the listed banks are committed to improving customer base, products and services, management and operational capabilities, and technological capacity. Beyond that, they also foster a high-performing internal corporate culture to enhance customer service, innovation, risk and compliance, and management, and promote correct values and enhance employee engagement and morale, trying to leverage soft powers to strengthen hard powers.

Looking ahead for the remainder of 2024, China's rebounding economic development should provide the listed banks with more opportunities. They need to holistically plan around both their tactical short-term business objectives and longer-term strategies. This includes striking balances between supporting national strategies, driving high-quality economic growth and delivering on social responsibilities, while consistently bolstering the banks' own growth and delivering corporate profits to stakeholders. The listed banks also need to enable innovation, transform digitally based on AI capacities, and offer customers distinctive financial services while keeping a watchful eye on risk management and mitigation. It is only with such foresight and good execution, can the listed banks in China deliver on high-quality financial services and support China's efforts toward becoming a global financial powerhouse.

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01 Stable growth in net profit

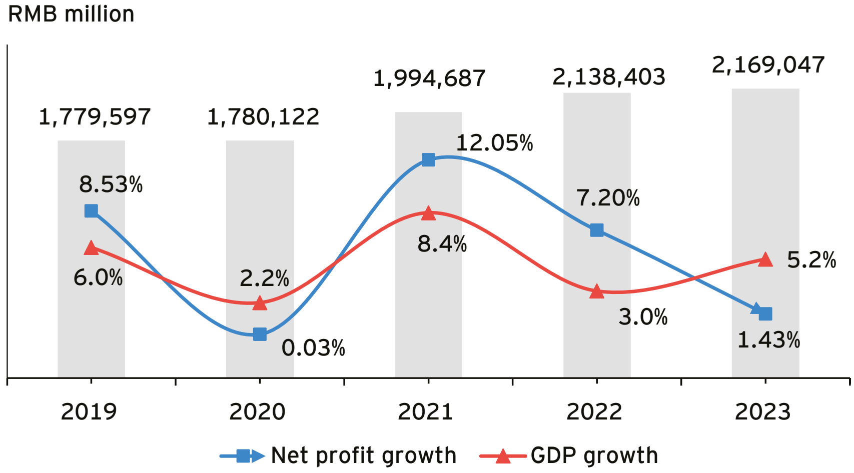
In 2023, the world largely saw subdued economic growth with recoveries diverging considerably in different economies amid surging geopolitical tensions. In China, macro policies fueled the momentum for recovery and growth, with GDP growing by 5.2% year-on-year, up 2.2 percentage points from 2022, albeit with lingering challenges, such as weaker-than-expected growth, sluggish domestic investment and consumption growth, and falling foreign demand. By adapting to complex and volatile business environments, the Chinese listed banks managed to maintain a positive growth in overall net profit in 2023.

Net profit growth

1.43 percentage points

In 2023, 58 listed banks realized a total net profit of RMB2,169.05 billion, a year-on-year increase of 1.43%, down 5.77 percentage points from the growth rate of 7.20% in 2022. The deceleration of net profit growth was mainly due to the mounting pressure on operating income of the listed banks amid slowing economic growth and intensified market competition. The results were divergent among the listed banks, with 44 listed banks registering an increase in net profit growth and 14 seeing a decrease.

Net profit growth trend of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Large banks realized a total net profit of RMB1,393.44 billion, growing by 2.47%. Specifically, ABC and BOC reported a higher net profit growth of over 4% in 2023, while the net profit growth of the other four large banks ranged from 0.83% to 2.34%. In 2023, the net profit growth of six large banks decreased by 3.04 percentage points from 2022. Specifically, PSBC saw a decrease of 10.28 percentage points in net profit growth, mainly due to the year-on-year decrease in net fee and commission income as a result of transition toward net-value wealth management products (WMPs) in 2022 (a one-off factor) and reduction in size of WMPs. The other five large banks saw a decline in net profit growth, ranging from 0.06% to 4.55%.

National joint-stock banks realized a total net profit of RMB502.09 billion, decreasing by 3.18%, down 12.34 percentage points from 9.16% in 2022. Six banks saw an increase in net profit. Specifically, CZB registered the highest net profit growth of 10.75%, mainly contributed by the rapid increase in net non-interest income such as income from financial assets held for trading; CMB, CITIC and HX also reported a high growth of more than 5%; the net profit growth of PAB and CMBC stood at 2.06% and 0.58%, respectively. Four banks saw a decrease in net profit. Specifically, SPDB registered a decrease of 28.02% in net profit, mainly due to the low loan prime rate (LPR) and decline in net interest income resulting from repricing of outstanding loans; CBHB, IB and CEB saw a decrease in net profit of 16.80%, 15.97% and 8.80%, respectively.

City commercial banks realized a total net profit of RMB223.87 billion, growing by 6.09%, down 7.03 percentage points from 13.12% in 2022. Seven city commercial banks saw a decrease in net profit. Specifically, BJJ registered a decrease of 55.65% in net profit, mainly due to the decline in return on assets as a result of interest rate liberalization and fee reduction for supporting the real economy, and the increase in provision for impairment losses; JXB's net profit fell by 32.92%, mainly due to the decrease in net interest income on account of lower market interest rates and decline in financial investment income; BGY, BGZ, ZYB, BZZ and SJB also reported a decrease. Twenty-two city commercial banks saw an increase in net profit. Specifically, HRB registered an increase of 24.54% in net profit, mainly due to the decline in income tax expenses; BHZ's net profit increased by 23.15%, mainly owing to the increase in investment income from financial assets; LZB's net profit increased by 23.02% with the rapid growth of net income from trading activities; QLB, BSZ, BOCD, BQD, BJS and BONB also recorded an increase of more than 10% in net profit; the net profit of the other 13 city commercial banks presented a growth of less than 10%.

Rural commercial banks realized a total net profit of RMB49.65 billion, growing by 1.47%, down 9.28 percentage points from 10.75% in 2022. Three rural commercial banks saw a decrease in net profit. Specifically, JTRCB registered the largest decline of 89.35%, mainly due to the decrease in net interest income resulting from lowering fee charges for supporting the real economy and declining market interest rates, and the increase in provisions; the net profit of DRCB and GRCB also declined. Ten rural commercial banks saw an increase in net profit. Particularly, JYRCB registered an increase of 24.92% in net profit, spurred by the impressive increase in income from financial assets held for trading and income from disposal of bonds, and the increase in non-operating income from reversal of provisions; the net profit growth of CSRCB, SZRCB, BORF and QRCB exceeded 10%; the other five rural commercial banks reported an increase of less than 10% in net profit.

Net profit amount and growth rate* (Unit: RMB million)						
	2021		2022		2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC**	350,216	10.24%	362,110	3.40%	365,116	0.83%
CCB**	303,928	11.09%	324,863	6.89%	332,460	2.34%
ABC**	241,936	11.80%	258,866	7.00%	269,820	4.23%
BOC**	227,339	10.85%	236,725	4.13%	246,371	4.07%
BOCOM**	88,939	11.77%	91,955	3.39%	93,252	1.41%
PSBC	76,532	18.99%	85,355	11.53%	86,424	1.25%
Large banks	**1,288,890**	**11.43%**	**1,359,874**	**5.51%**	**1,393,443**	**2.47%**
CMB	120,834	23.35%	139,294	15.28%	148,006	6.25%
IB	83,816	23.84%	92,414	10.26%	77,654	-15.97%
CITIC	56,377	13.82%	62,950	11.66%	68,062	8.12%
PAB	36,336	25.61%	45,516	25.26%	46,455	2.06%
CEB	43,639	15.06%	45,040	3.21%	41,076	-8.80%
SPDB	53,766	-8.86%	51,997	-3.29%	37,429	-28.02%
CMBC	34,853	-0.71%	35,777	2.65%	35,986	0.58%
HX	23,903	10.83%	25,490	6.64%	26,845	5.32%
CZB	12,916	2.84%	13,989	8.31%	15,493	10.75%
CBHB	8,630	2.19%	6,107	-29.24%	5,081	-16.80%
National joint-stock banks	**475,070**	**13.46%**	**518,574**	**9.16%**	**502,087**	**-3.18%**
BJS	20,409	30.66%	26,352	29.12%	30,013	13.89%
BOB	22,392	3.45%	24,930	11.33%	25,732	3.22%
BONB	19,609	29.55%	23,132	17.97%	25,609	10.71%
BSH	22,080	5.57%	22,318	1.08%	22,545	1.02%
BONJ	15,966	20.86%	18,544	16.15%	18,630	0.46%
HSB	11,785	18.79%	13,683	16.11%	14,991	9.56%
BHZ	9,261	29.78%	11,679	26.11%	14,383	23.15%
BOCD	7,831	29.91%	10,043	28.25%	11,672	16.22%
BOCS	6,570	18.14%	7,144	8.74%	7,852	9.91%
BGY	6,256	1.84%	6,246	-0.16%	5,634	-9.80%
BCQ	4,859	6.42%	5,117	5.31%	5,229	2.19%
BSZ	3,287	20.62%	4,117	25.25%	4,797	16.52%
QLB	3,072	20.71%	3,631	18.20%	4,269	17.57%
BTJ	3,214	-26.00%	3,563	10.86%	3,767	5.73%
BQD	2,993	22.01%	3,168	5.85%	3,671	15.88%
BGZ	3,706	0.95%	3,829	3.32%	3,653	-4.60%
ZYB	3,633	8.29%	3,825	5.28%	3,206	-16.18%
XMB	2,213	19.23%	2,572	16.22%	2,752	7.00%
BOXA	2,807	1.74%	2,426	-13.57%	2,465	1.61%
WHCCB	1,892	14.81%	2,078	9.83%	2,116	1.83%
JSB	1,679	6.87%	1,835	9.29%	2,001	9.05%
LZB	1,603	4.57%	1,773	10.61%	1,913	7.90%
BZZ	3,398	2.32%	2,600	-23.48%	1,859	-28.50%
JXB	2,112	10.87%	1,601	-24.20%	1,074	-32.92%
LZB	734	27.43%	808	10.08%	994	23.02%
HRB	399	-49.87%	713	78.70%	888	24.54%
SJB	431	-65.02%	1,019	136.43%	765	-24.93%
BJJ	1,785	4.45%	1,680	-5.88%	745	-55.65%
BGS	573	1.96%	604	5.41%	647	7.12%
City commercial banks	**186,549**	**13.44%**	**211,030**	**13.12%**	**223,872**	**6.09%**
SRCB	10,047	19.34%	11,393	13.40%	12,487	9.60%
CQRCB	9,718	13.46%	10,478	7.82%	11,125	6.17%
DRCB	5,703	12.82%	6,083	6.66%	5,346	-12.12%
CSRCB	2,341	20.92%	2,927	25.03%	3,507	19.82%
GRCB	3,776	-28.44%	4,038	6.94%	3,260	-19.27%
QRCB	3,092	3.86%	2,346	-24.13%	2,603	10.95%
WRCB	1,618	22.39%	2,012	24.35%	2,208	9.74%
JYRCB	1,285	20.09%	1,617	25.84%	2,020	24.92%
ZJGRCB	1,337	34.24%	1,699	27.08%	1,798	5.83%
BORF	1,295	15.63%	1,551	19.77%	1,749	12.77%
SZRCB	1,161	21.06%	1,509	29.97%	1,745	15.64%
ZJRCB	1,515	5.14%	1,600	5.61%	1,619	1.19%
JTRCB	1,290	7.50%	1,672	29.61%	178	-89.35%
Rural commercial banks	**44,178**	**9.52%**	**48,925**	**10.75%**	**49,645**	**1.47%**
All listed banks	**1,994,687**	**12.05%**	**2,138,403**	**7.20%**	**2,169,047**	**1.43%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

* Net profits of the listed banks are presented in RMB million, on which the calculation of growth rates is based.

** ICBC, CCB, ABC, BOC and BOCOM have restated their data as at 31 December 2022.

ROE down

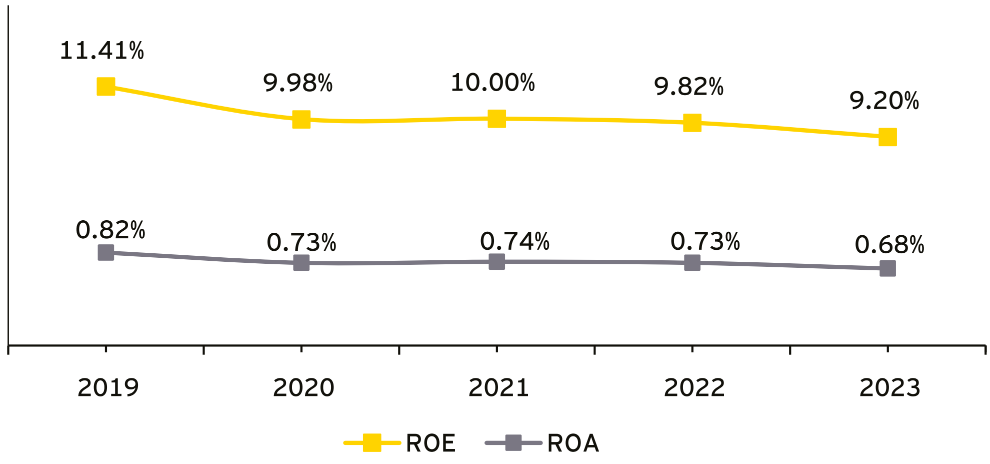
0.62 percentage points

ROA down

0.05 percentage points

The profitability of the listed banks declined slightly in 2023. The average return on equity (ROE) was 9.20%, down 0.62 percentage point from 9.82% in 2022; the average return on assets (ROA) was 0.68%, down 0.05 percentage point from 0.73% in 2022. The average ROE of large banks, national joint-stock banks, city commercial banks and rural commercial banks decreased by 0.71, 1.11, 0.32 and 0.90 percentage point(s), respectively; the average ROA of large banks, national joint-stock banks, city commercial banks, and rural commercial banks dropped by 0.08, 0.08, 0.04, and 0.06 percentage point, respectively.

Changes in ROE and ROA of the listed banks



	ROE			ROA		
	2021	2022	2023	2021	2022	2023
Large banks	11.70%	11.34%	10.63%	0.88%	0.84%	0.76%
National joint-stock banks	10.62%	10.25%	9.14%	0.77%	0.76%	0.68%
City commercial banks	9.42%	9.12%	8.80%	0.67%	0.65%	0.61%
Rural commercial banks	10.04%	10.37%	9.47%	0.81%	0.84%	0.78%
All listed banks	10.00%	9.82%	9.20%	0.74%	0.73%	0.68%

Source: Calculated based on the annual reports and prospectuses published by the listed banks. The data are arithmetic means.

Decline in operating income

0.98 percentage points

Operating income is the main driver of growth for the listed banks. In 2023, the operating income of the listed banks reached RMB5,869.91 billion, decreasing by 0.98% from 2022. The overall operating income of the listed banks remained under pressure in 2023, mainly due to the decline in return on interest-earning assets, narrowing net interest margin (NIM) and decrease in net interest income caused by LPR cuts and the banks' continued efforts to benefit the real economy; the fee and commission income also decreased amid capital market volatility, changes in investors' risk appetite and reform of mutual fund fee rates.

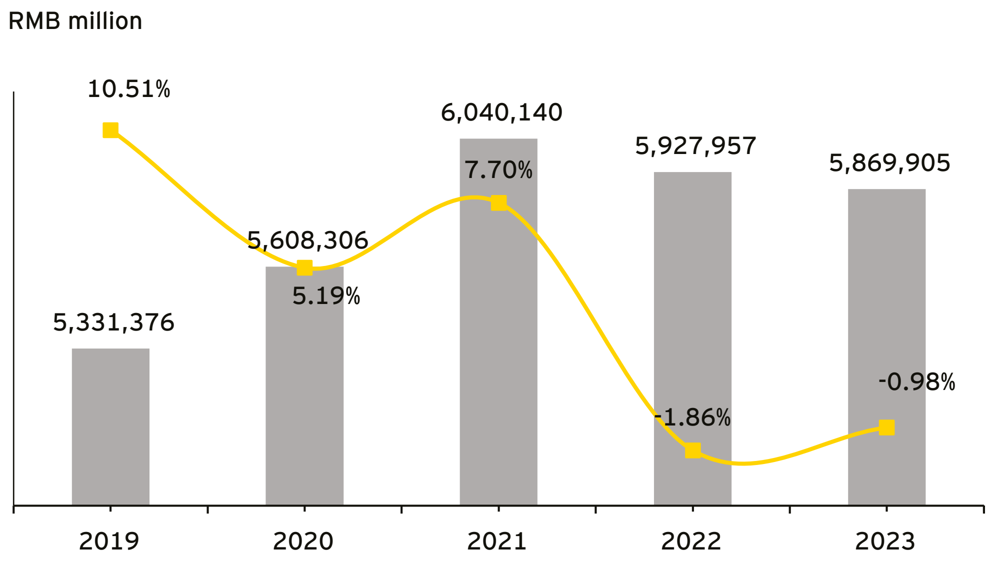
The operating income of large banks decreased by 0.02% year-on-year, down from 4.06% in 2022. The net interest income decreased by 2.54 percentage points year-on-year. Specifically, PSBC and BOC registered an increase of 3.00% and 1.58% in net interest income, respectively, while the other four large banks saw a decrease. The net fee and commission income decreased by 2.01% year-on-year. Specifically, BOC recorded an increase of 5.31% in net fee and commission income, mainly due to the increase in income from advisory and consulting, custody and bank card businesses, while the other five large banks saw a decrease. In addition, the other operating income increased by 35.39% year-on-year, with ABC reporting an increase of 83.02%, mainly due to the rising gains on financial instruments measured at fair value through profit or loss and foreign exchange gains from related businesses driven by exchange rate fluctuations.

The operating income of national joint-stock commercial banks decreased by 3.71% year-on-year, and the growth rate was 3.96 percentage points lower than 0.25% in 2022. Except for CZB, other national joint-stock banks saw a year-on-year decrease in operating income. The operating income of CZB increased by 4.29%, mainly due to a year-on-year increase of 20.62% in other operating income enabled by growing income from financial assets held for trading following the adjustment of position structure.

The operating income of city commercial banks increased by 1.09% year-on-year, down 4.24 percentage points from 5.33% in 2022. Nine city commercial banks, including BSH, BJY, SJB, BCQ, BZZ, JXB, BJJ, BGZ and XMB registered a year-on-year decrease in operating income, while the other 20 city commercial banks reported an increase. Particularly, LZB reported the largest growth, which increased by 18.91 percentage points from 3.34% in 2022, mainly due to the increase in other operating income driven by bigger holding volume of financial assets measured at fair value and higher valuation.

The operating income of rural commercial banks decreased by 2.98% year-on-year, and the growth rate was 3.79 percentage points lower than 0.81% in 2022. CQRCB, GRCB, ZJGRCB, ZJRCB and JTRCB registered a year-on-year decrease in operating income, while the other eight rural commercial banks recorded an increase. Specifically, GRCB reported the largest decrease of 19.48%; JTRCB saw a decrease of 16.42%. CSRCB reported the largest increase of 12.04%, mainly due to the growth in loan interest income.

Trend of the operating income of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Operating income amount and growth rate* (Unit: RMB million)						
	2021		2022		2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC**	942,762	6.81%	875,734	-7.11%	843,070	-3.73%
CCB**	824,246	9.05%	783,760	-4.91%	769,736	-1.79%
ABC**	719,915	9.42%	694,652	-3.51%	694,828	0.03%
BOC**	605,559	7.08%	585,367	-3.33%	622,889	6.41%
BOCOM**	269,390	9.42%	256,796	-4.68%	257,595	0.31%
PSBC	318,762	11.38%	334,956	5.08%	342,507	2.25%
Large banks	**3,680,634**	**8.43%**	**3,531,265**	**-4.06%**	**3,530,625**	**-0.02%**
CMB	331,253	14.04%	344,783	4.08%	339,123	-1.64%
IB	221,236	8.91%	222,374	0.51%	210,831	-5.19%
CITIC	204,557	5.05%	211,392	3.34%	205,896	-2.60%
PAB	169,383	10.32%	179,895	6.21%	164,699	-8.45%
CEB	152,751	7.14%	151,632	-0.73%	145,685	-3.92%
SPDB	190,982	-2.75%	188,622	-1.24%	173,434	-8.05%
CMBC	168,804	-8.73%	142,476	-15.60%	140,817	-1.16%
HX	95,870	0.59%	93,808	-2.15%	93,207	-0.64%
CZB	54,471	14.19%	61,085	12.14%	63,704	4.29%
CBHB	29,194	-10.15%	26,465	-9.35%	24,997	-5.55%
National joint-stock bank	**1,618,501**	**5.01%**	**1,622,532**	**0.25%**	**1,562,393**	**-3.71%**
BJS	63,771	22.58%	70,570	10.66%	74,293	5.28%
BOB	66,275	3.07%	66,276	0.00%	66,711	0.66%
BONB	52,774	28.37%	57,879	9.67%	61,585	6.40%
BSH	56,230	10.81%	53,112	-5.55%	50,564	-4.80%
BONJ	40,925	18.74%	44,606	8.99%	45,160	1.24%
HSB	35,514	9.98%	36,230	2.02%	36,365	0.37%
BHZ	29,361	18.36%	32,932	12.16%	35,016	6.33%
BOCD	17,890	22.53%	20,241	13.14%	21,702	7.22%
BOCS	20,868	15.79%	22,868	9.58%	24,803	8.46%
BGY	15,004	-6.70%	15,643	4.26%	15,096	-3.50%
BCQ	14,515	11.24%	13,465	-7.23%	13,211	-1.89%
BSZ	10,829	4.49%	11,763	8.62%	11,866	0.88%
QLB	10,167	28.11%	11,064	8.82%	11,952	8.03%
BTJ	17,694	2.89%	15,759	-10.94%	16,456	4.42%
BQD	11,136	5.64%	11,644	4.56%	12,472	7.11%
BGZ	11,737	4.35%	11,990	2.16%	11,345	-5.38%
ZYB	19,283	-0.75%	25,611	32.82%	26,183	2.23%
XMB	5,316	-4.32%	5,895	10.89%	5,603	-4.95%
BOXA	7,203	0.91%	6,568	-8.82%	7,205	9.70%
WHCCB	7,377	22.26%	8,291	12.39%	8,735	5.36%
JSB	5,391	10.74%	5,260	-2.43%	5,802	10.30%
LZB	7,836	7.28%	7,450	-4.93%	8,016	7.60%
BZZ	14,801	1.33%	15,101	2.03%	13,667	-9.50%
JXB	11,144	8.35%	12,714	14.09%	11,297	-11.15%
LZB	3,776	19.68%	3,902	3.34%	4,770	22.25%
HRB	12,320	-15.65%	12,871	4.47%	13,242	2.88%
SJB	15,467	-4.92%	16,153	4.44%	10,040	-37.84%
BJJ	10,348	1.53%	10,870	5.04%	10,358	-4.71%
BGS	6,278	-3.31%	6,527	3.97%	6,665	2.11%
City commercial banks	**601,230**	**10.38%**	**633,255**	**5.33%**	**640,180**	**1.09%**
SRCB	24,164	9.64%	25,627	6.05%	26,414	3.07%
CQRCB	30,842	9.42%	28,991	-6.00%	27,956	-3.57%
DRCB	12,996	7.88%	13,236	1.85%	13,260	0.18%
CSRCB	7,655	16.30%	8,809	15.08%	9,870	12.04%
GRCB	23,481	10.67%	22,545	-3.99%	18,154	-19.48%
QRCB	10,297	7.57%	9,944	-3.43%	10,325	3.83%
WRCB	4,349	11.63%	4,480	3.01%	4,538	1.29%
JYRCB	3,367	0.48%	3,780	12.27%	3,865	2.25%
ZJGRCB	4,616	10.04%	4,827	4.57%	4,541	-5.93%
BORF	3,310	10.00%	3,525	6.50%	3,804	7.91%
SZRCB	3,834	2.16%	4,037	5.29%	4,046	0.22%
ZJRCB	4,502	0.56%	4,507	0.11%	4,420	-1.93%
JTRCB	6,362	14.69%	6,597	3.69%	5,514	-16.42%
Rural commercial banks	**139,775**	**9.31%**	**140,905**	**0.81%**	**136,707**	**-2.98%**
All listed banks	**6,040,140**	**7.70%**	**5,927,957**	**-1.86%**	**5,869,905**	**-0.98%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.
* Operating income of the listed banks is presented in RMB million, on which the calculation of growth rates is based.
** ICBC, CCB, ABC, BOC and BOCOM have restated their data as at 31 December 2022.

Changes in the operating income structure of the listed banks

	2021	2022	2023
Net interest income	73.39%	76.95%	75.40%
Net fee and commission income	14.28%	14.19%	13.18%
Other operating income	12.33%	8.86%	11.42%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

From the perspective of operating income structure of the listed banks, net interest income accounted for the highest proportion, reaching 75.40%, down 1.55 percentage points from 2022, mainly due to narrowing NIM; net fee and commission income accounted for 13.18%, down 1.01 percentage points from 2022; other operating income accounted for 11.42%, up 2.56 percentage points from 2022, mainly due to the increase in gains on fair value changes amid capital market volatility.

Decline in net interest income

2.98 percentage points

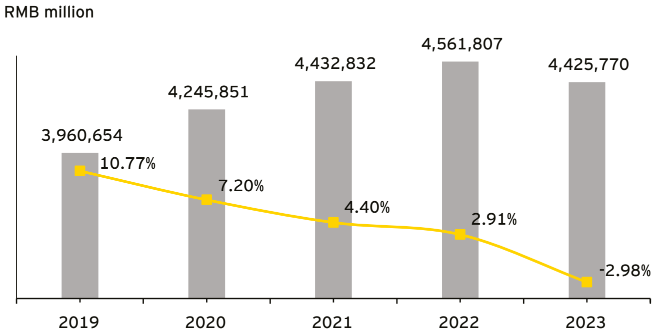
In 2023, the net interest income of the listed banks totaled RMB4,425.77 billion, a year-on-year decrease of 2.98%, and the growth rate was 5.89 percentage points lower than 2.91% in 2022. Large banks saw a year-on-year decrease of 2.54% in net interest income in 2023 (an increase of 3.59% in 2022). Specifically, PSBC registered an increase of 3.00% in net interest income based on growing assets, and BOC reported an increase of 1.58%, while the other four large commercial banks saw a decrease.

National joint-stock banks exhibited a year-on-year decrease of 4.94% in net interest income in 2023 (an increase of 0.41% in 2022). Except for IB and CZB, which registered an increase of 0.85% and 0.99% in net interest income, respectively, the other joint-stock banks reported a decrease.

City commercial banks recorded a year-on-year decrease of 0.47% in net interest income in 2023 (an increase of 5.45% in 2022). Specifically, 14 city commercial banks registered a decrease in net interest income, while the other 15 banks reported an increase.

Rural commercial banks saw a year-on-year decrease of 4.70% in net interest income in 2023 (an increase of 1.69% in 2022). Except for CSRCB, which registered an increase of 11.69% in net interest income, the other rural commercial banks reported a decrease. Specifically, the net interest income of JTRCB and GRCB dropped by more than 10%, and that of other rural commercial banks fell by less than 8%.

Changes in net interest income of the listed banks

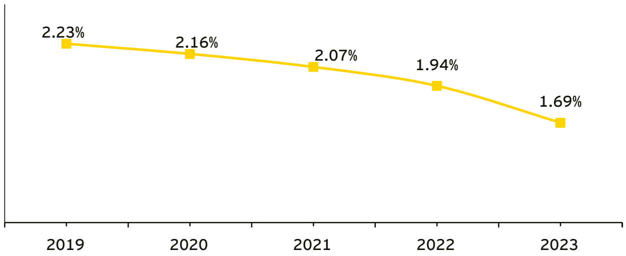


Narrowing NIM

25 bps

Such decrease in net interest income of the listed banks in 2023 was mainly due to narrowing NIM. The average NIM of the listed banks stood at 1.69%, down 25 basis points (bps) from 2022.

Changes in NIM of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Net interest income amount and growth rate* (Unit: RMB million)						
	2021		2022		2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC**	690,680	6.79%	691,985	0.19%	655,013	-5.34%
CCB**	605,420	5.12%	643,669	6.32%	617,233	-4.11%
ABC**	577,987	6.04%	589,883	2.06%	571,750	-3.07%
BOC**	425,142	2.22%	459,266	8.03%	466,545	1.58%
BOCOM**	161,693	5.45%	169,882	5.06%	164,123	-3.39%
PSBC	269,382	6.32%	273,593	1.56%	281,803	3.00%
Large banks	**2,730,304**	**5.40%**	**2,828,278**	**3.59%**	**2,756,467**	**-2.54%**
CMB	203,919	10.21%	218,235	7.02%	214,669	-1.63%
IB	145,679	1.51%	145,273	-0.28%	146,503	0.85%
CITIC	147,896	-1.74%	150,647	1.86%	143,539	-4.72%
PAB	120,336	6.05%	130,130	8.14%	117,991	-9.33%
CEB	112,155	1.32%	113,655	1.34%	107,480	-5.43%
SPDB	135,958	-1.89%	133,669	-1.68%	118,435	-11.40%
CMBC	125,775	-6.99%	107,463	-14.56%	102,431	-4.68%
HX	79,605	-2.88%	74,293	-6.67%	70,442	-5.18%
CZB	41,952	13.09%	47,062	12.18%	47,528	0.99%
CBHB	25,179	-11.58%	22,669	-9.97%	17,646	-22.16%
National joint-stock banks	**1,138,454**	**1.23%**	**1,143,096**	**0.41%**	**1,086,664**	**-4.94%**
BJS	45,480	22.96%	52,264	14.92%	52,645	0.73%
BOB	51,397	-0.40%	51,458	0.12%	50,350	-2.15%
BONB	32,697	17.37%	37,521	14.75%	40,907	9.02%
BSH	40,438	11.11%	38,000	-6.03%	35,164	-7.46%
BONJ	27,103	14.39%	26,970	-0.49%	25,452	-5.63%
HSB	26,856	4.29%	28,705	6.88%	28,720	0.05%
BHZ	21,036	9.15%	22,857	8.66%	23,433	2.52%
BOCD	14,422	21.94%	16,519	14.54%	17,654	6.87%
BOCS	16,112	7.69%	17,967	11.51%	20,028	11.47%
BGY	12,993	-5.29%	13,831	6.45%	13,576	-1.84%
BCQ	11,597	4.85%	10,808	-6.80%	10,447	-3.34%
BSZ	7,533	0.11%	8,341	10.73%	8,483	1.70%
QLB	7,485	16.70%	8,575	14.56%	8,877	3.52%
BTJ	12,925	-5.28%	11,473	-11.23%	11,420	-0.46%
BQD	7,646	-6.15%	8,288	8.40%	9,282	11.99%
BGZ	9,514	-6.00%	10,094	6.10%	8,750	-13.31%
ZYB	16,693	0.77%	21,276	27.45%	22,263	4.64%
XMB	4,430	-3.95%	4,790	8.13%	4,326	-9.69%
BOXA	5,993	-3.45%	5,508	-8.09%	5,308	-3.63%
WHCCB	6,048	29.84%	6,451	6.66%	6,624	2.68%
JSB	3,554	3.28%	3,593	1.10%	4,236	17.90%
LZB	6,013	25.53%	5,888	-2.08%	5,936	0.82%
BZZ	11,949	6.32%	12,254	2.55%	11,740	-4.19%
JXB	8,762	-3.23%	9,624	9.84%	8,771	-8.86%
LZB	2,938	6.60%	3,258	10.89%	3,088	-5.22%
HRB	10,061	-18.26%	9,007	-10.48%	9,549	6.02%
SJB	12,388	-14.91%	12,854	3.76%	8,866	-31.03%
BJJ	8,457	7.58%	8,594	1.62%	8,289	-3.55%
BGS	4,924	-14.37%	5,068	2.92%	5,435	7.24%
City commercial banks	**447,444**	**5.83%**	**471,836**	**5.45%**	**469,619**	**-0.47%**
SRCB	19,371	8.39%	20,754	7.14%	20,700	-0.26%
CQRCB	26,235	8.19%	25,404	-3.17%	23,493	-7.52%
DRCB	10,533	6.05%	10,933	3.80%	10,572	-3.30%
CSRCB	6,691	12.15%	7,611	13.75%	8,501	11.69%
GRCB	19,559	10.83%	18,582	-5.00%	16,583	-10.76%
QRCB	8,048	-0.46%	7,839	-2.60%	7,356	-6.16%
WRCB	3,504	6.93%	3,488	-0.46%	3,461	-0.77%
JYRCB	2,831	10.63%	3,193	12.79%	2,982	-6.61%
ZJGRCB	3,691	2.50%	3,917	6.12%	3,864	-1.35%
BORF	2,996	0.47%	3,188	6.41%	3,054	-4.20%
SZRCB	3,036	1.10%	3,138	3.36%	2,966	-5.48%
ZJRCB	3,959	3.10%	4,035	1.92%	3,960	-1.86%
JTRCB	6,176	21.12%	6,515	5.49%	5,528	-15.15%
Rural commercial banks	**116,630**	**7.88%**	**118,597**	**1.69%**	**113,020**	**-4.70%**
All listed banks	**4,432,832**	**4.40%**	**4,561,807**	**2.91%**	**4,425,770**	**-2.98%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

* Operating income of the listed banks is presented in RMB million, on which the calculation of growth rates is based.

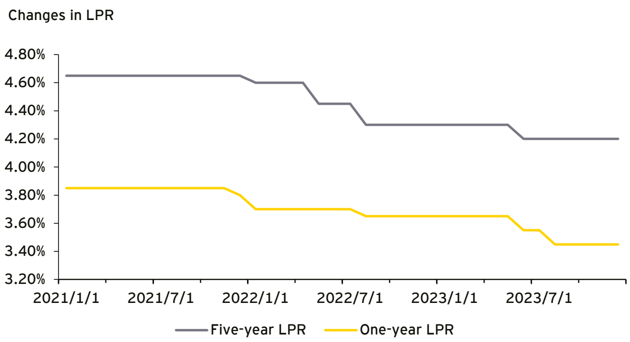
** ICBC, CCB, ABC, BOC and BOCOM have restated their data as at 31 December 2022.

NIM of the listed banks*			
	2021	2022	2023
ICBC	2.11%	1.92%	1.61%
CCB**	2.13%	2.01%	1.70%
ABC	2.12%	1.90%	1.60%
BOC**	1.75%	1.75%	1.59%
BOCOM	1.56%	1.48%	1.28%
PSBC	2.36%	2.20%	2.01%
Large banks	**2.03%**	**1.89%**	**1.63%**
CMB	2.48%	2.40%	2.15%
IB	2.29%	2.10%	1.93%
CITIC	2.05%	1.97%	1.78%
PAB	2.79%	2.75%	2.38%
CEB	2.16%	2.01%	1.74%
SPDB	1.83%	1.77%	1.52%
CMBC	1.91%	1.60%	1.46%
HX	2.35%	2.10%	1.82%
CZB	2.27%	2.21%	2.01%
CBHB	1.72%	1.50%	1.14%
National joint-stock banks	**2.19%**	**2.06%**	**1.83%**
BJS	2.28%	2.32%	1.98%
BOB	1.83%	1.76%	1.54%
BONB	2.21%	2.02%	1.88%
BSH	1.74%	1.54%	1.34%
BONJ*	2.25%	2.19%	2.04%
HSB	2.20%	2.11%	1.88%
BHZ	1.83%	1.69%	1.50%
BOCD	2.13%	2.04%	1.81%
BOCS	2.40%	2.41%	2.31%
BGY	2.26%	2.27%	2.11%
BCQ	2.06%	1.74%	1.52%
BSZ	1.91%	1.87%	1.68%
QLB	2.02%	1.96%	1.74%
BTJ	2.12%	1.70%	1.65%
BQD	1.79%	1.76%	1.83%
BGZ	2.29%	2.22%	1.77%
ZYB	2.31%	2.06%	1.73%
XMB	1.62%	1.53%	1.28%
BOXA	1.91%	1.66%	1.37%
WHCCB	2.24%	2.07%	1.89%
JSB	1.43%	1.32%	1.36%
LZB	1.72%	1.58%	1.46%
BZZ	2.31%	2.27%	2.08%
JXB	1.94%	1.98%	1.75%
LZB	2.49%	2.46%	2.39%
HRB	1.78%	1.55%	1.43%
SJB	1.40%	1.34%	0.96%
BJJ	2.00%	1.91%	1.76%
BGS	1.65%	1.45%	1.48%
City commercial banks	**2.00%**	**1.90%**	**1.70%**
SRCB	1.86%	1.83%	1.67%
CQRCB	2.17%	1.97%	1.73%
DRCB	1.96%	1.92%	1.67%
CSRCB	3.06%	3.02%	2.86%
GRCB	2.00%	1.69%	1.39%
QRCB	2.16%	2.00%	1.76%
WRCB	1.95%	1.81%	1.64%
JYRCB	2.14%	2.18%	2.06%
ZJGRCB	2.43%	2.25%	1.99%
BORF	2.34%	2.21%	1.73%
SZRCB	2.24%	2.04%	1.74%
ZJRCB	1.83%	1.80%	1.59%
JTRCB	2.91%	2.56%	2.08%
Rural commercial banks	**2.12%**	**1.97%**	**1.73%**
All listed banks	**2.07%**	**1.94%**	**1.69%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.
* As BONJ did not include the income generated from financial assets held for trading in interest income account in 2022, the data on interest-bearing liabilities and interest expenses are adjusted accordingly. The comparable data for 2020 and 2021 are restated according to the presentation basis of 2022.
** CCB and BOC have restated their data as at 31 December 2022.

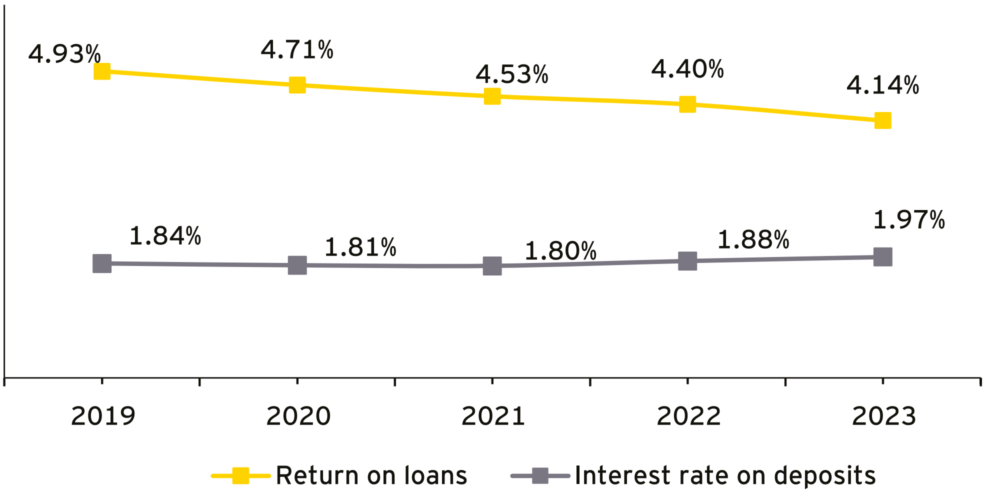
In 2023, the return on loans was down to 4.14% from 4.40% in 2022 due to one five-year LPR cut and two one-year LPR cuts coupled with the listed banks' continued efforts to benefit the real economy by reducing financing cost for enterprises. Specifically, large banks, national joint-stock banks, city commercial banks, and rural commercial banks registering a decrease of 23 bps, 26 bps, 24 bps, and 46 bps, respectively. Meanwhile, the interest rate on deposits continued to rise, from 1.88% in 2022 to 1.97% in 2023, with large banks and national joint-stock banks registering an increase of 14 bps and 4 bps, respectively, while city commercial banks and rural commercial banks reporting a decrease of 3 bps and 6 bps, respectively.

Changes in LPR



Source: Announcement of the People's Bank of China.

Trend of the return on loans/interest rate on deposits of the listed banks



Return on loans	2021	2022	2023
Large banks	4.19%	4.10%	3.87%
National joint-stock banks	5.04%	4.83%	4.57%
City commercial banks	5.27%	5.06%	4.82%
Rural commercial banks	5.25%	5.03%	4.57%
All listed banks	4.53%	4.40%	4.14%

Interest rate on deposits	2021	2022	2023
Large banks	1.65%	1.73%	1.87%
National joint-stock banks	2.00%	2.06%	2.10%
City commercial banks	2.32%	2.35%	2.32%
Rural commercial banks	2.15%	2.16%	2.10%
All listed banks	1.80%	1.88%	1.97%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

In 2023, the NIM of large banks averaged 1.63%, a decrease of 26 bps from 2022. The six large banks saw a decrease in NIM, mainly due to the combined impact of multiple factors such as the LPR cuts and rate and fee reductions, resulting in the rapid decrease in asset-side yields, especially returns on loans to customers.

In 2023, the average NIM of national joint-stock banks stood at 1.83%, down 23 bps as compared with that of 2022. The NIM of all 10 national joint-stock banks decreased from 2022. PAB registered a decrease of 37 bps in NIM from 2022, mainly due to its continuous efforts in lowering fees for supporting the real economy and adjustment of asset composition amid loan repricing effects and changes in market interest rates. The NIM of CBHB decreased by 36 bps from 2022 as the average yields on interest-bearing assets decreased by 19 bps from 2022 while the average interest rate of interest-bearing liabilities increased by 7 bps over 2022. HX saw a decrease of 28 bps in NIM from 2022, mainly due to the decline in yields on assets as a result of its implementation of the requirements for financial institutions to support high-quality development of the real economy, and higher cost of liabilities driven by increasing proportion of time deposits and long-term deposits and the rising market interest rates. CEB registered a decrease of 27 bps in NIM from 2022, mainly due to the repricing of loans, decline in interest rates on new loans, and adjustment of interest rates on outstanding housing loans. The NIM of CMB decreased by 25 bps from 2022, mainly due to the year-on-year decline in lending rates and sluggish growth in loans with high returns, the inability to grow corporate demand deposits, and the decrease in proportion of demand deposits as residents shifted investments to time deposits.

The average NIM of city commercial banks in 2023 was 1.70%, down 20 bps from 2022. BQD, JSB and BGS saw an increase in NIM. Particularly, BQD reported the largest increase to 1.83% from 1.76% in 2022, owing to the improvement in proportion of average balance of loans and investments and the decrease in proportion of average balance of bonds payable under continuous adjustment of interest-bearing asset and liability structure, with lower cost ratio of interest-bearing liabilities offsetting the impact of decline in yields on assets and growth in deposits. The other 26 city commercial banks registered a decrease in NIM, mainly due to their supporting the real economy by reducing financing cost for enterprises, LPR cuts, and decline in yields on interest-earning assets. Specifically, BGZ and SJB led the decrease by 45 bps and 38 bps, respectively.

The average NIM of rural commercial banks stood at 1.73%, down 24 bps from 2022. Thirteen rural commercial banks saw a year-on-year decrease in NIM. Specifically, the NIM of JTRCB decreased by 48 bps from 2022, mainly due to the combined effect of fee reductions to lower the cost of corporate financing and the year-on-year LPR decline; decaying repayment capacity of certain customers and declining average yields of loans and advances to customers during cyclical adjustment of regional economy; decrease in average yields of investment securities and other financial assets, assets due from banks and other financial institutions, and deposits with banks and other financial institutions caused by changes in the maturity structure of assets and interest rates, which was partially offset by the increase in average yields of deposits with the central bank and financial assets held under resale agreements. BORF saw a decrease of 48 bps in NIM from 2022, mainly due to a decrease of 69 bps in the average yields of loans. GRCB reported a decrease of 30 bps in NIM from 2022, mainly due to the impact that the average yields of loans decreased by 69 bps, while the average interest rate of deposits dropped by only 7 bps.

Decrease in net fee and commission income

8.05 percentage points

In 2023, the net fee and commission income of the listed banks amounted to RMB773.41 billion, decreasing by 8.05% year-on-year. The decrease was due to the decline in fee income from wealth management services and advisory and consulting services as the listed banks continued to lower fee charges in support of the real economy. However, decreases were mixed among individual listed banks, with 11 banks recording an increase in net fee and commission income and 47 reporting a decrease from 2022.

The net fee and commission income of large banks decreased by 2.01% year-on-year, down 0.25 percentage point from 2.26% in 2022. Specifically, the net fee and commission income of BOC increased by 5.31% year-on-year, as the bank stepped up business expansion driving the growth in income from advisory and consulting, custody and bank card businesses. The net fee and commission income of the other five large banks declined. Specifically, ICBC reported a decrease of 7.71%, as the income from personal wealth management and private banking, corporate wealth management, guarantee and commitment businesses decreased due to fluctuations in the capital market, changes in investors' risk appetite, reform of mutual fund fee rates, and decline in guarantee and commitment fee rate. BOCOM recorded a decrease of 4.13%, mainly due to a 23.10% decline in income from wealth management business and a 18.49% decline in income from investment banking business.

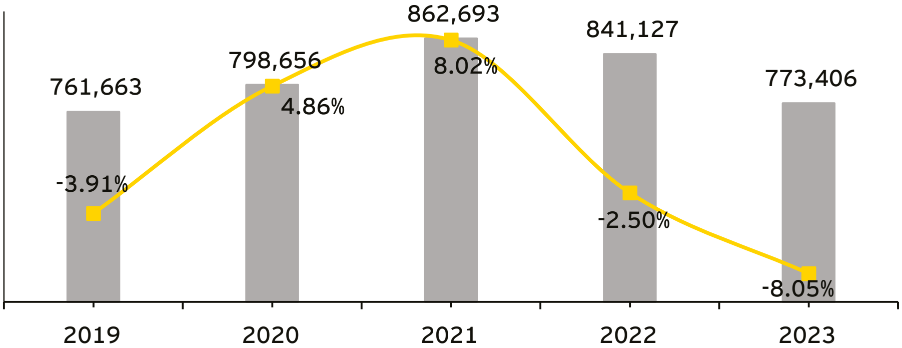
The net fee and commission income of national joint-stock banks decreased by 14.51%, up 12.69 percentage points from 1.82% in 2022. The net fee and commission income of CBHB and CZB increased as compared with 2022, while that of the other eight national joint-stock banks decreased. Specifically, CBHB reported the largest increase in net fee and commission income of 55.66%, mainly contributed by the growth in agency fee income. IB recorded the largest decrease of 38.38%, mainly because the base for one-time income recognition from the old WMP was raised in 2022.

The net fee and commission income of city commercial banks dropped by 23.73%, up 17.49 percentage points from 6.24% in 2022. The net fee and commission income of BOCS, BJJ, BQD and LZB increased as compared with 2022, while that of the other 25 city commercial banks decreased. Specifically, BOCS reported the largest increase in net fee and commission income of 16.15%, mainly due to the increase in agency fee income. BOB, BCQ and SJB recorded a large decrease in net fee and commission income of 46.90%, 45.99% and 44.32%, respectively. For BOB, the decrease resulted from the year-on-year decline in agency and custody fee income and the increase in online service expenses. For BCQ, the decrease resulted from the decline in fee income from wealth management business due to capital market turmoil, intensified fluctuations in the market value of WMPs and declining returns. For SJB, the decrease resulted from year-on-year increase in fee and commission expenses as the bank actively implemented the national policy of reducing fee charges while promoting business transformation and extending service scenarios.

The net fee and commission income of rural commercial banks decreased by 8.85%, down 4.28 percentage points from 13.13% in 2022. The net fee and commission income of QRCB, ZJRCB, DRCB and SRCB increased as compared with 2022. The net fee and commission income of BORF exhibited a negative result as the fee and commission expenses exceeded the fee and commission income. The net fee and commission income of the other eight rural commercial banks decreased. Specifically, ZJRCB reported the largest increase in net fee and commission income of 74.24%. CSRCB recorded a decrease of 82.98%, mainly due to the decline in income from wealth management business; JTRCB reported a decrease of 75.61%, as fee income declined due to a decrease in settlement business and WMPs issued.

Trend of net fee and commission income of the listed banks

RMB million



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Net fee and commission income amount and growth rate* (Unit: RMB million)						
	2021		2022		2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC	133,024	1.38%	129,325	-2.78%	119,357	-7.71%
CCB**	121,492	6.03%	116,085	-4.45%	115,746	-0.29%
ABC	80,329	7.76%	81,282	1.19%	80,093	-1.46%
BOC**	81,426	7.82%	74,890	-8.03%	78,865	5.31%
BOCOM	47,573	5.52%	44,855	-5.71%	43,004	-4.13%
PSBC	22,007	33.42%	28,434	29.20%	28,252	-0.64%
Large banks	**485,851**	**6.21%**	**474,871**	**-2.26%**	**465,317**	**-2.01%**
CMB	94,447	18.82%	94,275	-0.18%	84,108	-10.78%
IB	42,680	13.18%	45,041	5.53%	27,755	-38.38%
CITIC	35,870	24.39%	37,092	3.41%	32,383	-12.70%
PAB	33,062	11.47%	30,208	-8.63%	29,430	-2.58%
CEB	27,314	11.90%	26,744	-2.09%	23,698	-11.39%
SPDB	29,134	-14.18%	28,691	-1.52%	24,453	-14.77%
CMBC	27,566	-0.35%	20,274	-26.45%	19,236	-5.12%
HX	9,252	-12.37%	10,369	12.07%	6,402	-38.26%
CZB	4,050	-4.71%	4,791	18.30%	5,040	5.20%
CBHB	2,238	-22.88%	2,569	14.79%	3,999	55.66%
National joint-stock banks	**305,613**	**9.37%**	**300,054**	**-1.82%**	**256,504**	**-14.51%**
BJS	7,490	39.82%	6,252	-16.53%	4,276	-31.61%
BOB	5,990	-6.26%	7,066	17.96%	3,752	-46.90%
BONB	8,262	30.27%	7,466	-9.63%	5,767	-22.76%
BSH	9,047	61.29%	6,493	-28.23%	4,915	-24.30%
BONJ*	5,801	16.84%	5,344	-7.88%	3,629	-32.09%
HSB	4,431	22.50%	4,180	-5.66%	2,805	-32.89%
BHZ	3,608	19.67%	4,674	29.55%	4,043	-13.50%
BOCD	532	45.36%	677	27.26%	662	-2.22%
BOCS	1,064	33.50%	1,319	23.97%	1,532	16.15%
BGY	664	-23.59%	414	-37.65%	281	-32.13%
BCQ	769	-25.84%	761	-1.04%	411	-45.99%
BSZ	1,222	29.31%	1,317	7.77%	1,239	-5.92%
QLB	947	50.32%	1,235	30.41%	1,119	-9.39%
BTJ	1,784	-22.80%	1,686	-5.49%	1,570	-6.88%
BQD	1,955	15.54%	1,445	-26.09%	1,587	9.83%
BGZ	428	17.91%	363	-15.19%	338	-6.89%
ZYB	1,933	8.23%	1,783	-7.76%	1,319	-26.02%
XMB	376	14.98%	432	14.89%	414	-4.17%
BOXA	560	-6.04%	407	-27.32%	277	-31.94%
WHCCB	592	27.59%	677	14.36%	633	-6.50%
JSB	765	7.29%	734	-4.05%	703	-4.22%
LZB	384	71.43%	365	-4.95%	268	-26.58%
BZZ	1,242	-28.21%	791	-36.31%	579	-26.80%
JXB	699	20.73%	642	-8.15%	522	-18.69%
LZB	57	1,040.00%	94	64.91%	103	9.57%
HRB	697	-20.80%	732	5.02%	645	-11.89%
SJB	429	-37.74%	264	-38.46%	147	-44.32%
BJJ	693	11.06%	842	21.50%	972	15.44%
BGS	351	6.69%	400	13.96%	380	-5.00%
City commercial banks	**62,772**	**17.88%**	**58,855**	**-6.24%**	**44,888**	**-23.73%**
SRCB	2,166	-7.12%	2,156	-0.46%	2,268	5.19%
CQRCB	2,724	-6.17%	1,913	-29.77%	1,791	-6.38%
DRCB	792	-15.74%	686	-13.38%	713	3.94%
CSRCB	238	60.81%	188	-21.01%	32	-82.98%
GRCB	1,319	-0.60%	1,382	4.78%	847	-38.71%
QRCB	492	62.91%	459	-6.71%	596	29.85%
WRCB	183	3.98%	227	24.04%	132	-41.85%
JYRCB	138	38.00%	93	-32.61%	80	-13.98%
ZJGRCB	124	-1,340.00%	47	-62.10%	27	-42.55%
BORF	-133	N/A	-83	N/A	-13	N/A
SZRCB	218	67.69%	131	-39.91%	89	-32.06%
ZJRCB	123	-2.38%	66	-46.34%	115	74.24%
JTRCB	73	-68.40%	82	12.33%	20	-75.61%
Rural commercial banks	**8,457**	**-0.95%**	**7,347**	**-13.13%**	**6,697**	**-8.85%**
All listed banks	**862,693**	**8.02%**	**841,127**	**-2.50%**	**773,406**	**-8.05%**

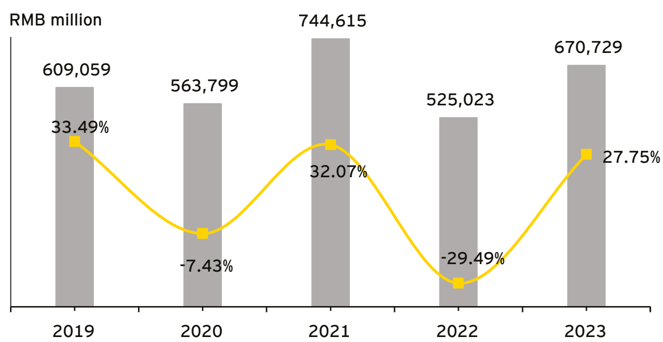
Source: Calculated based on the annual reports and prospectuses published by the listed banks.
* Net fee and commission income of the listed banks is presented in RMB million, on which the calculation of growth rates is based.
** ICBC, BOC and BOCOM have restated their data as at 31 December 2022.

Year-on-year growth in other operating income

27.75 percentage points

In 2023, the total other operating income of the listed banks was RMB670.73 billion, increasing by 27.75% from 2022. Specifically, the other operating income of large banks increased by 35.39% year-on-year, as gains from changes in fair value and exchange gains rose amid market price and exchange rate fluctuations. The other operating income of national joint-stock banks, city commercial banks and rural commercial banks in 2023 increased by 22.21%, 22.53% and 13.56%, respectively, year-on-year.

Trend of other operating income of the listed banks



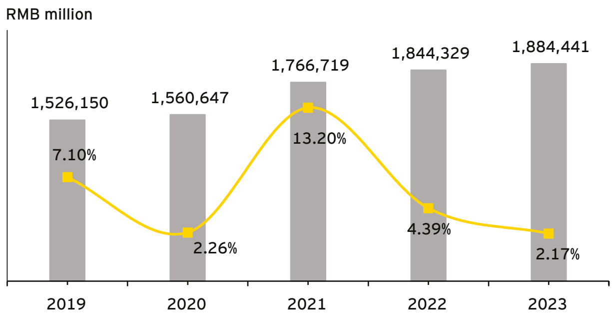
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Slower growth in operation and administrative expenses

2.22 percentage points

The total operation and administrative expenses of the listed banks in 2023 was RMB1,884.44 billion, increasing by 2.17% from the prior year, 2.22 percentage points lower than 4.39% in 2022. In 2023, the operation and administrative expenses of large banks increased by 2.81% year-on-year, an increase of 0.08 percentage point over 2.73% in 2022. Specifically, PSBC reported the largest increase of 7.93%, mainly due to the growth in savings agency fees. ABC, BOC and BOCOM recorded an increase ranging from 1.60% to 4.84%, while ICBC and CCB reported a year-on-year decrease of 0.36% and 0.38%, respectively. In 2023, the operation and administrative expenses of national joint-stock banks decreased by 0.89% year-on-year, and the growth rate decreased by 6.67 percentage points from 5.78% in 2022. The operation and administrative expenses of city commercial banks and rural commercial banks increased by 6.24% and 3.20% year-on-year, respectively, down 4.15 and 4.75 percentage points as compared with 2022, as listed banks moved to cut costs and improve efficiency through digital transformation, while refining fee management.

Trend of operation and administrative expenses of the listed banks



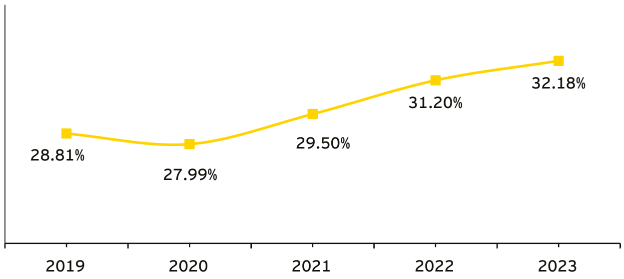
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Rising cost-to-income ratio

0.98 percentage points

In 2023, the cost-to-income ratio of the listed banks continued to rise, with the weighted-average cost-to-income ratio standing at 32.18%, up 0.98 percentage point from 2022. The cost-to-income ratio of large banks, national joint-stock banks, city commercial banks and rural commercial banks increased by 0.89, 0.90, 1.45 and 2.14 percentage point(s), respectively, mainly due to the year-on-year decline in operating income.

Trend of the cost-to-income ratio of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Cost-to-income ratios of the listed banks			
	2021	2022	2023
ICBC	23.97%	26.05%	26.96%
CCB**	27.43%	27.83%	28.20%
ABC	30.46%	32.81%	33.86%
BOC**	28.17%	28.92%	28.50%
BOCOM	27.67%	29.65%	30.04%
PSBC	59.01%	61.41%	64.82%
Large banks	**30.01%**	**31.87%**	**32.76%**
CMB	33.12%	32.88%	32.96%
IB	25.68%	29.37%	29.97%
CITIC	29.20%	30.53%	32.35%
PAB	28.30%	27.45%	27.90%
CEB	28.02%	27.88%	28.17%
SPDB	26.17%	27.89%	29.65%
CMBC	29.17%	35.61%	36.10%
HX	29.06%	30.13%	31.37%
CZB	25.31%	27.46%	29.96%
CBHB	32.88%	39.24%	40.51%
National joint-stock banks	**28.88%**	**30.42%**	**31.32%**
BJS	22.44%	24.52%	23.99%
BOB	24.96%	26.55%	28.88%
BONB	36.95%	37.29%	38.99%
BSH	21.52%	23.02%	24.61%
BONJ*	29.22%	29.75%	30.47%
HSB	24.45%	26.15%	28.05%
BHZ	27.30%	29.64%	29.40%
BOCD	22.80%	24.39%	25.09%
BOCS	28.44%	28.30%	27.95%
BGY	27.46%	26.80%	26.97%
BCQ	21.44%	25.25%	27.23%
BSZ	32.02%	33.33%	36.46%
QLB	26.27%	26.46%	26.42%
BTJ	23.81%	26.92%	27.68%
BQD	33.91%	34.97%	34.96%
BGZ	31.09%	30.68%	33.50%
ZYB	35.95%	39.05%	40.07%
XMB	34.56%	34.30%	39.65%
BOXA	26.06%	28.92%	27.45%
WHCCB	20.50%	21.80%	21.31%
JSB	36.84%	39.93%	38.94%
LZB	29.05%	31.24%	30.42%
BZZ	22.98%	22.99%	27.11%
JXB	31.46%	27.50%	30.60%
LZB	38.59%	38.87%	34.86%
HRB	38.28%	39.41%	42.01%
SJB	36.26%	33.80%	56.41%
BJJ	28.57%	28.91%	31.56%
BGS	34.52%	34.26%	34.29%
City commercial banks	**27.67%**	**28.99%**	**30.44%**
SRCB	29.95%	30.50%	32.67%
CQRCB	27.52%	31.84%	33.94%
DRCB	34.18%	34.78%	35.30%
CSRCB	41.40%	38.58%	36.87%
GRCB	26.08%	31.37%	36.08%
QRCB	29.22%	30.34%	31.70%
WRCB	28.77%	30.98%	32.19%
JYRCB	33.40%	30.39%	30.87%
ZJGRCB	31.11%	32.61%	36.90%
BORF	32.22%	33.30%	34.70%
SZRCB	32.88%	34.10%	34.65%
ZJRCB	35.85%	38.57%	38.31%
JTRCB	46.90%	48.04%	58.78%
Rural commercial banks	**30.91%**	**33.15%**	**35.29%**
All listed banks	**29.50%**	**31.20%**	**32.18%**

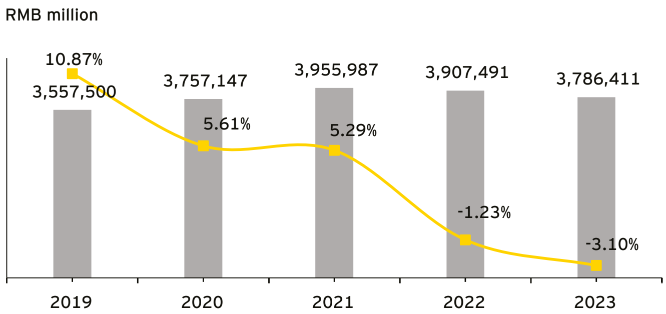
Source: Calculated based on the annual reports and prospectuses published by the listed banks.
* Data is weighted average.
** In 2023, ICBC, CCB, ABC, BOC and BOCOM have restated their cost-to-income ratio as at 31 December 2022.

Decreasing total profit before provision

3.10 percentage points

In 2023, the total profit before provision of the listed banks was RMB3,786.41 billion, a decrease of 3.10% from the prior year, larger than that in 2022. The total profit before provision of large banks in 2023 was RMB2,220.36 billion, decreasing by 2.30% from 2022. Except for BOC, which reported a year-on-year increase of 3.76%, the other five large banks recorded a decrease in total profit before provision. The total profit before provision of national joint-stock banks, city commercial banks and rural commercial banks in 2023 decreased by 5.35%, 1.15% and 5.27%, respectively.

Trend of total profit before provision of the listed banks



Growth rate of total profit before provision	2021	2022	2023
Large banks	5.67%	-1.54%	-2.30%
National joint-stock banks	2.86%	-2.19%	-5.35%
City commercial banks	9.02%	3.24%	-1.15%
Rural commercial banks	9.39%	-2.31%	-5.27%
All listed banks	5.29%	-1.23%	-3.10%

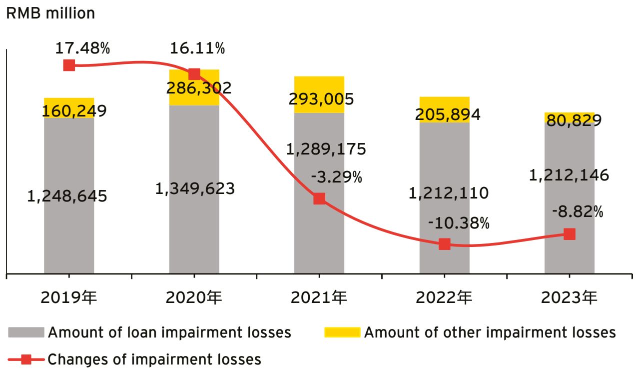
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Decrease in impairment loss provision

8.82 percentage points

In 2023, the provision for credit impairment losses and other asset impairment losses recognized in income statements by the listed banks totaled RMB1,292.98 billion, decreasing by 8.82% from 2022. The credit impairment losses and other asset impairment losses of large banks, national joint-stock banks, city commercial banks and rural commercial banks decreased by 10.22%, 6.31%, 9.87% and 10.46%, respectively, year-on-year. Specifically, the total loan impairment losses amounted to RMB1,212.15 billion, which was basically the same with those in 2022. The loan impairment losses of large banks and national joint-stock banks in 2023 increased by 0.45% and 1.00% year-on-year, respectively, while those of city commercial banks and rural commercial banks decreased by 0.62% and 16.58% year-on-year, respectively. The impairment losses on other assets than loans totaled RMB80.83 billion, decreasing by 60.74% from 2022. The provision for impairment losses on other assets of large banks was reduced. The impairment losses on other assets of national joint-stock banks and city commercial banks decreased year-on-year by 42.57% and 39.89%, respectively, while those of rural commercial banks increased by 58.89%.

Changes in impairment losses of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

* The change in impairment loss is the proportion of the total change in loan impairment loss changes and other impairment loss changes.

Falling credit cost

0.08 percentage points

In 2023, the credit cost of the listed banks was 0.76%, representing a year-on-year decrease of 0.08 percentage point. The credit cost of large banks decreased by 0.07 percentage point. Except for BOC, which reported an increase of 0.01 percentage point, the other five large banks recorded a decrease from 2022. The credit cost of national joint-stock banks decreased by 0.05 percentage point. Specifically, the credit cost of IB increased by 0.48 percentage point, as it stepped up efforts in write-off and disposal of distressed assets and made sufficient provision for loan losses based on quantitative risk parameters such as customers' PD and LGD as well as forward-looking adjustment considering macroeconomic situation; the provision for loan impairment losses (recognized in the income statement, the same below) increased by 77.43% year-on-year. The credit cost of other national joint-stock banks exhibited a year-on-year decline. The credit cost of city commercial banks decreased by 0.13 percentage point. LZB, BTJ, BHZ, BGY, JXB, HSB, HRB and BLZ reported a year-on-year increase. Specifically, LZB saw an increase of 0.60 percentage point, as the expected credit losses on loans increased by 70.83% from the prior year. BTJ reported an increase of 0.57 percentage point, as it increased provision under the principle of prudence and timeliness, and the loan impairment losses increased by 57.00%. The credit cost of other city commercial banks decreased year-on-year. Specifically, ZYB recorded the largest decrease of 0.84 percentage point, as the loan impairment losses decreased by 51.24%. SJB recorded the lowest credit cost of 0.18%, down 0.71 percentage point from 2022, as the loan impairment losses decreased by 81.64% year-on-year. The credit cost of rural commercial banks decreased by 0.23 percentage point. Specifically, DRCB reported an increase of 0.38 percentage point, as it continued to increase provision to enhance resilience to asset risks, resulting in a year-on-year increase of 75.28% in loan impairment losses. ZJRCB recorded an increase of 0.16 percentage point, mainly due to the year-on-year increase of 85.23% in loan impairment losses. JTRCB reported an increase of 0.10 percentage point, as it refined risk management assessment based on the changes in external market environment, resulting in a year-on-year increase of 22.23% in loan impairment losses. The credit cost of all the other rural commercial banks declined from 2022.

Credit cost of the listed banks	2021	2022	2023
ICBC	0.86%	0.65%	0.58%
CCB**	0.90%	0.70%	0.64%
ABC	1.04%	0.76%	0.66%
BOC**	0.66%	0.56%	0.57%
BOCOM	1.02%	0.83%	0.72%
PSBC	0.47%	0.55%	0.35%
Large banks	**0.85%**	**0.67%**	**0.60%**
CMB	0.70%	0.78%	0.74%
IB	1.08%	0.80%	1.28%
CITIC	1.08%	1.12%	0.93%
PAB	2.08%	2.01%	1.85%
CEB	1.60%	1.38%	1.22%
SPDB	1.38%	1.34%	1.12%
CMBC	1.49%	1.01%	0.93%
HX	1.18%	1.20%	1.11%
CZB	0.94%	1.20%	0.89%
CBHB	0.81%	0.84%	0.71%
National joint-stock banks	**1.24%**	**1.14%**	**1.09%**
BJS	1.18%	1.25%	1.20%
BOB	0.87%	0.77%	0.72%
BONB	1.24%	1.12%	0.93%
BSH	0.81%	0.89%	0.78%
BONJ*	1.09%	1.14%	0.82%
HSB	1.63%	0.83%	0.96%
BHZ	0.88%	0.45%	0.72%
BOCD	1.20%	0.86%	0.49%
BOCS	1.54%	1.69%	1.66%
BGY	1.31%	1.14%	1.37%
BCQ	1.54%	1.05%	0.83%
BSZ	1.46%	0.78%	0.56%
QLB	1.69%	1.54%	1.32%
BTJ	3.11%	1.36%	1.93%
BQD	1.37%	1.02%	0.72%
BGZ	1.72%	1.14%	0.90%
ZYB	1.16%	1.35%	0.51%
XMB	0.61%	0.72%	0.37%
BOXA	0.93%	1.06%	0.86%
WHCCB	2.04%	2.05%	1.76%
JSB	1.02%	0.72%	0.51%
LZB	1.82%	1.34%	1.40%
BZZ	1.40%	2.14%	1.70%
JXB	1.08%	1.98%	2.16%
LZB	1.63%	1.15%	1.75%
HRB	2.02%	1.75%	1.87%
SJB	1.19%	0.89%	0.18%
BJJ	1.42%	1.68%	1.65%
BGS	0.77%	1.18%	0.95%
City commercial banks	**1.24%**	**1.10%**	**0.97%**
SRCB	0.76%	0.52%	0.33%
CQRCB	2.03%	1.27%	0.65%
DRCB	0.71%	0.62%	1.00%
CSRCB	0.63%	1.02%	0.86%
GRCB	1.34%	1.40%	1.05%
QRCB	1.66%	1.94%	1.82%
WRCB	1.24%	0.71%	0.31%
JYRCB	0.98%	0.88%	0.72%
ZJGRCB	1.70%	1.33%	0.72%
BORF	0.91%	0.82%	0.61%
SZRCB	1.22%	0.90%	0.72%
ZJRCB	0.59%	0.26%	0.42%
JTRCB	0.86%	0.68%	0.78%
Rural commercial banks	**1.22%**	**1.01%**	**0.78%**
All listed banks	**1.00%**	**0.84%**	**0.76%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

* The credit cost data of BOC, CITIC and PAB are directly obtained from their annual reports. Credit cost of other banks = Loan impairment losses/Average balance of loans and advances to customers; Average balance of loans and advances to customers = (Balance of loans and advances to customers at the end of the year + Balance of loans and advances to customers at the beginning of the year)/2, where the balance of loans and advances to customers includes accrued interest.

02

Serving the real economy to help foster new productivity drivers

In 2023, the listed banks saw faster growth in credit assets, as they were committed to meeting the financing needs of the real economy and playing a pivotal role as financial intermediaries in response to the government's call to stabilize the economic fundamentals. Meanwhile, the listed banks increased offering of financial services, allocated more resources to key areas, and facilitated the cultivation of new productivity drivers. However, while deposits of the listed banks were growing rapidly, the proportion of time deposits increased significantly, weighing on deposit-taking costs. The listed banks should strike a balance between the growth and pricing of deposits to obtain high-quality funds to support the real economy.

Growth in total assets

11.14 percentage points

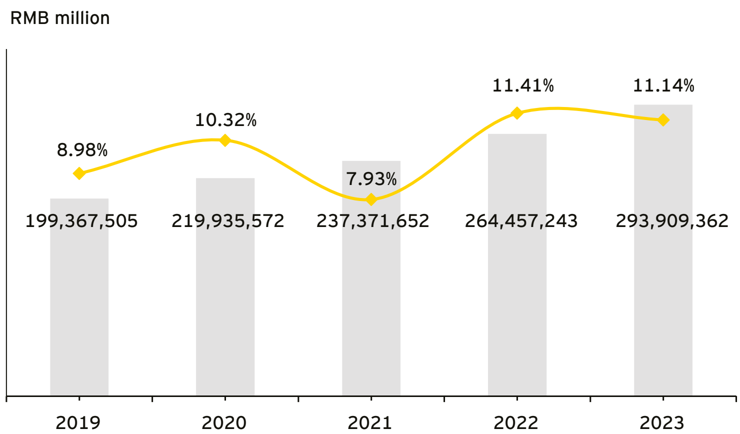
As at 31 December 2023, the total assets of the listed banks amounted to RMB293,909.36 billion, growing by RMB29,452.12 billion, or 11.14% year-on-year, down 0.27 percentage point from 2022. The total assets of large banks grew by 12.81%, up 0.01 percentage point from 2022. Specifically, ABC recorded the highest growth rate of 17.53%, mainly contributed by fast-growing loans and financial investment; the growth in total assets of ICBC, BOC and PSBC was 12.84%, 12.25% and 11.80%, respectively, up 0.22 percentage point, 4.13 percentage points, and 0.05 percentage point; and that of CCB and BOCOM slowed down.

The total assets of national joint-stock banks grew by 7.37%, up 0.02 percentage point from 2022. CZB saw the highest growth rate of 19.91%, up 5.25 percentage points from 2022, mainly contributed by fast-growing loans and financial investment; the growth in total assets of IB, CMBC, CEB and HXB accelerated, and that of the other five banks slowed down.

The total assets of city commercial banks grew by 10.58%, down 2.92 percentage points from 2022. Thirteen banks recorded a faster growth in total assets, while 16 banks reported slower growth. Particularly, QLB registered the highest growth rate of 19.53%, up 2.78 percentage points from 2022, mainly contributed by fast-growing loans and financial investment. SJB experienced negative growth of -0.22%, down 7.80 percentage points from the growth in 2022.

The total assets of rural commercial banks grew by 8.38%, down 0.36 percentage point from 2022. RRCB led the growth, at a rate of 23.35%, mainly due to fast-growing loans and financial investment; while JTRCB reported the lowest growth rate of 1.04%, down 12.99 percentage points from 2022.

Growth of total assets of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Total assets amount and growth rate* (Unit: RMB million)						
	31 December 2021		31 December 2022		31 December 2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC**	35,171,383	5.48%	39,610,146	12.62%	44,697,079	12.84%
CCB**	30,253,979	7.54%	34,600,711	14.37%	38,324,826	10.76%
ABC**	29,069,155	6.85%	33,925,488	16.71%	39,872,989	17.53%
BOC**	26,722,408	9.51%	28,893,548	8.12%	32,432,166	12.25%
BOCOM**	11,665,757	9.05%	12,991,571	11.37%	14,060,472	8.23%
PSBC	12,587,873	10.87%	14,067,282	11.75%	15,726,631	11.80%
Large banks	**145,470,555**	**7.65%**	**164,088,746**	**12.80%**	**185,114,163**	**12.81%**
CMB	9,249,021	10.62%	10,138,912	9.62%	11,028,483	8.77%
IB	8,603,024	8.98%	9,266,671	7.71%	10,158,326	9.62%
CITIC	8,042,884	7.08%	8,547,543	6.27%	9,052,484	5.91%
PAB	4,921,380	10.13%	5,321,514	8.13%	5,587,116	4.99%
CEB	5,902,069	9.95%	6,300,510	6.75%	6,772,796	7.50%
SPDB	8,136,757	2.35%	8,704,651	6.98%	9,007,247	3.48%
CMBC	6,952,786	0.04%	7,255,673	4.36%	7,674,965	5.78%
HX	3,676,287	8.13%	3,900,167	6.09%	4,254,766	9.09%
CZB	2,286,723	11.64%	2,621,930	14.66%	3,143,879	19.91%
CBHB	1,582,708	13.58%	1,659,460	4.85%	1,732,734	4.42%
National joint-stock banks	**59,353,639**	**7.24%**	**63,717,031**	**7.35%**	**68,412,796**	**7.37%**
BJS	2,618,874	12.02%	2,980,295	13.80%	3,403,362	14.20%
BOB	3,058,959	5.48%	3,387,952	10.76%	3,748,679	10.65%
BONB	2,015,548	23.90%	2,366,097	17.39%	2,711,662	14.60%
BSH	2,653,199	7.76%	2,878,525	8.49%	3,085,516	7.19%
BONJ	1,748,947	15.28%	2,059,484	17.76%	2,288,276	11.11%
HSB	1,383,662	8.80%	1,580,236	14.21%	1,806,144	14.30%
BHZ	1,390,565	18.93%	1,616,538	16.25%	1,841,331	13.91%
BOCD	768,346	17.77%	917,650	19.43%	1,091,243	18.92%
BOCS	796,150	13.05%	904,733	13.64%	1,020,033	12.74%
BGY	608,687	3.05%	645,998	6.13%	688,068	6.51%
BCQ	618,954	10.20%	684,713	10.62%	759,884	10.98%
BSZ	453,029	16.74%	524,549	15.79%	601,841	14.73%
QLB	433,414	20.32%	506,013	16.75%	604,816	19.53%
BTJ	719,904	4.67%	761,083	5.72%	840,771	10.47%
BQD	522,250	13.58%	529,614	1.41%	607,985	14.80%
BGZ	503,880	10.40%	533,781	5.93%	576,786	8.06%
ZYB	768,233	1.42%	1,326,736	72.70%	1,346,447	1.49%
XMB	329,495	15.55%	371,208	12.66%	390,664	5.24%
BOXA	345,864	12.88%	405,839	17.34%	432,201	6.50%
WHCCB	304,521	13.80%	343,703	12.87%	391,877	14.02%
JSB	303,292	11.94%	336,420	10.92%	361,305	7.40%
LZB**	400,341	10.49%	435,943	8.89%	453,411	4.01%
BZZ	574,980	4.96%	591,514	2.88%	630,709	6.63%
JXB	508,560	10.87%	515,573	1.38%	552,345	7.13%
LZB	134,510	13.14%	148,630	10.50%	157,636	6.06%
HRB	645,046	7.76%	712,733	10.49%	813,329	14.11%
SJB	1,006,126	-3.07%	1,082,413	7.58%	1,080,053	-0.22%
BJJ	461,503	10.99%	479,704	3.94%	503,849	5.03%
BGS	358,505	4.71%	377,202	5.22%	388,589	3.02%
City commercial banks	**26,435,344**	**10.53%**	**30,004,879**	**13.50%**	**33,178,813**	**10.58%**
SRCB	1,158,376	9.59%	1,281,399	10.62%	1,392,214	8.65%
CQRCB	1,265,851	11.44%	1,351,861	6.79%	1,441,082	6.60%
DRCB	593,361	8.20%	657,690	10.84%	708,854	7.78%
CSRCB	246,583	18.16%	287,881	16.75%	334,456	16.18%
GRCB	1,161,629	13.01%	1,233,454	6.18%	1,314,042	6.53%
QRCB	430,438	5.81%	434,791	1.01%	467,937	7.62%
WXRCB	201,770	12.08%	211,603	4.87%	234,956	11.04%
JYRCB	153,128	7.26%	168,751	10.20%	186,030	10.24%
ZJGRCB	164,579	14.44%	187,533	13.95%	207,127	10.45%
RRCB	136,868	5.68%	159,623	16.63%	196,888	23.35%
SZRCB	158,725	13.83%	180,278	13.58%	202,565	12.36%
ZJRCB	206,666	-5.05%	224,722	8.74%	247,664	10.21%
JTRCB	234,140	16.86%	267,001	14.03%	269,775	1.04%
Rural commercial banks	**6,112,114**	**10.36%**	**6,646,587**	**8.74%**	**7,203,590**	**8.38%**
All listed banks	**237,371,652**	**7.93%**	**264,457,243**	**11.41%**	**293,909,362**	**11.14%**

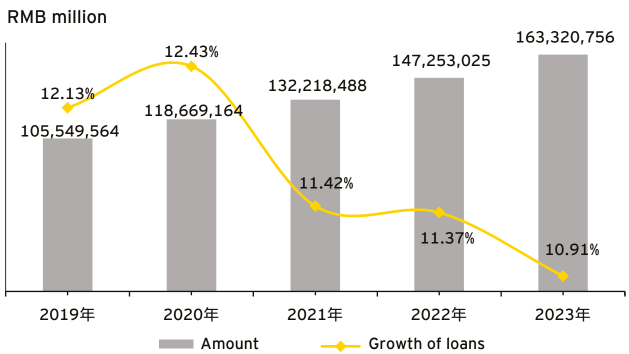
Source: Calculated based on the annual reports and prospectuses published by the listed banks.
*Total assets of the listed banks are presented in RMB million, on which the calculation of growth rates is based.
** ICBC, CCB, ABC, BOC, BOCOM and BLZ restated the amount of total assets as at 31 December 2022 in 2023.

Fast growth in credit assets

10.91 percentage points

In 2023, the listed banks effectively improved financial services for major strategic areas, key areas and vulnerable areas by increasing credit supply at a fast pace. The loan balance (net of provision for impairment) of the listed banks in 2023 increased by 10.91%. The loan growth had remained above 10% during the past five years. The average growth in loans of large banks in 2023 was 12.94%, with ABC recording the highest growth of 14.49%, and the other five banks each recording a growth of over 8%. The national joint-stock banks' average growth in loans was 5.85%, with CZB reporting the highest growth of 12.58%, while CBHB reporting a decrease of 2.37%. The average growth in loans of city commercial banks was 11.19%. The results were divergent among the banks. The loan balance of SJB decreased by 21.30% from 2022 year-end, as the bank optimized the allocation of loan resources through asset sales and restructuring; while all other city commercial banks saw an increase in their loan balance, with BOCD reporting the highest growth rate of 28.90%. The growth in loans of rural commercial banks in 2023 was 7.74%. All banks saw a positive growth in loans from 2022, with CSRCB reporting the highest growth rate of 15.41%.

Growth in loans of the listed banks



In 2023, as the growth of loans was slightly slower than that of total assets, the proportion of loans in total assets decreased from 2022 year-end, to 55.57%.The proportion of loans in total assets of large banks was 56.92%, with CCB reporting the largest proportion of 60.23%. The proportion of loans in total assets of national joint-stock banks was 55.66%, with CITIC reporting the largest proportion of 59.47%. The proportion of loans in total assets of city commercial bank was 48.47%, with JXB reporting the largest proportion of 58.93%. The proportion of loans in total assets of rural commercial bank was 52.62%, with ZJRCB reporting the largest proportion of 69.66%.

Asset structure of the listed banks

	31 December 2021	31 December 2022	31 December 2023
Credit assets	55.70%	55.68%	55.57%
Financial investment	28.82%	28.99%	29.06%
Interbank assets*	4.93%	5.44%	5.71%
Others	10.55%	9.89%	9.66%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

* Interbank assets, including assets due from banks and other financial institutions, placements with banks and financial assets under reverse repo.

By loan structure, corporate loans and advances (excluding discounts) of the listed banks accounted for the largest proportion of total loans, at 57.80% as at the end of 2023, up 2.35 percentage points from 2022 year-end; the proportion of personal loans and advances was 36.72%, down 2.07 percentage points from 2022 year-end; and the proportion of bill discounting was 5.48%, down 0.28 percentage point from 2022 year-end.

Loan structure of the listed banks

	31 December 2021	31 December 2022	31 December 2023
Corporate loans and advances	54.49%	55.45%	57.80%
Personal loans and advances	41.08%	38.79%	36.72%
Bill discounting	4.43%	5.76%	5.48%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

*The data disclosed by PSBC include information on interests receivable.

Fast growth in credit assets

18.71 percentage points

The 2023 Central Financial Work Conference pointed out that "we need to optimize the structure of fund supply, channel more financial resources into areas promoting technological innovation, advanced manufacturing, green development and supporting micro-, small- and medium-sized enterprises, vigorously support the implementation of innovation-driven development strategy and coordinated regional development strategy, and ensure national food and energy security."

In 2023, the listed banks continued to issue more loans to the manufacturing sector, with the total amount increasing by 18.71%, up 0.64 percentage point from 18.07% in 2022. The total manufacturing loans of large banks increased by 19.59%, up 2.25 percentage points from 2022, with CCB recording the biggest increase of 6.35 percentage points in growth. The total manufacturing loans of national joint-stock banks grew by 18.67%, down 0.47 percentage point from 2022, with CMB, IB, PAB and CZB recording a lower growth rate while the other banks reporting a higher growth. The total manufacturing loans of city commercial banks increased by 15.60%, decreased 6.81 percentage points from 2022. Particularly, ZYB's growth rate decreased by 149.04 percentage points in 2023 from the high growth rate of 139.94% contributed by the acquisition of three city commercial banks in Henan Province in 2022. The total manufacturing loans of rural commercial banks grew by 9.80%, down 3.22 percentage points from 2022, with DRCB reporting the highest growth rate of 22.10%.

According to the Statistics Report on Loan Issuance by Financial Institutions in 2023 issued by the central bank, as at 31 December 2023, the balance of medium- and long-term industrial loans in RMB and foreign currencies stood at RMB21.83 trillion, with a year-on-year growth of 28% or RMB4.82 trillion, which was 1.5 percentage points or RMB1.21 trillion higher than that in 2022, and the growth was 17.9 percentage points higher than the overall growth of loans. Specifically, the balance of medium- and long-term loans to heavy industry was RMB18.62 trillion, increasing by 28% year-on-year, up 2.5 percentage points from 2022 year-end; the balance of medium- and long-term loans to light industry was RMB3.2 trillion, increasing by 27.9% year-on-year, down 4.6 percentage points from 2022 year-end.

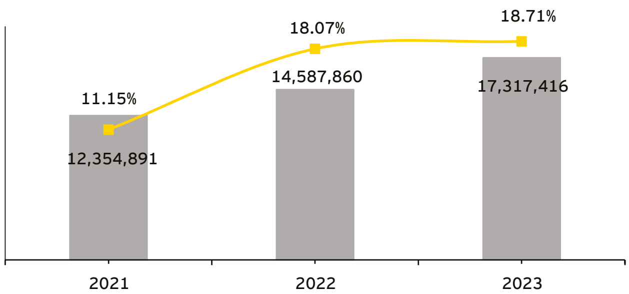
In 2023, the listed banks vigorously developed financial services for tech-related sectors (technology finance) and supported strategic emerging industries. Specifically, the number of technology finance customers of BOCCM in 2023 increased by 41.2% from 2022 year-end. The growth rate of loans to strategic emerging industries, loans to specialized and sophisticated small- and medium-sized enterprises (SMEs) that produce new and unique products and loans to technology SMEs was 31.12%, 73.95% and 39.54%, respectively. As at 31 December 2023, CMB's balance of manufacturing loans was RMB555.10 billion, an increase of RMB111.25 billion from 2022 year-end, accounting for 23.91% of the total corporate loans, up 2.75 percentage points from 2022 year-end; the balance of loans to strategic emerging industries was RMB375.10 billion, an increase of RMB72.77 billion from 2022 year-end, accounting for 16.16% of the total corporate loans, up 1.74 percentage points from 2022 year-end; the number of customers from technology industry was 140,800, and the balance of loans to them was RMB428.48 billion, increasing by 44.95% from 2022 year-end. As at the end of 2023, BOC provided RMB1.47 trillion of credit support* to 68,000 technology enterprises, with other comprehensive financial services amounting to over RMB610 billion in value; among the corporate loans**, technology finance loans, loans to strategic emerging industries and loans to manufacturing industries increased by 30.94%, 74.35% and 28.05%, respectively, from 2022 year-end.

According to the Statistics Report on Loan Issuance by Financial Institutions in 2023 issued by the central bank, as at 31 December of 2023, the number of technology SMEs that received loan support was 2,212,000, representing 346.8% of the enterprises on the list of recognized technology SMEs, up 2.1 percentage points from 2022 year-end. The balance of RMB and foreign currency loans to technology SMEs was RMB2.45 trillion, increasing by 21.9% year-on-year, down 3.8 percentage points from 2022 year-end, and the growth was 11.8 percentage points higher than the overall growth of loans. The number of high-tech enterprises that received loan support was 4,217,500, representing 54.2% of the enterprises on the list of recognized high-tech enterprises, up 0.8 percentage point from 2022 year-end. The balance of RMB and foreign currency loans to high-tech enterprises was RMB13.64 trillion, increasing by 15.3% year-on-year, down 0.8 percentage point from 2022 year-end, and the growth was 5.2 percentage points higher than the overall growth of loans.

On 16 April 2024, the National Financial Regulatory Administration (NFRA), the Ministry of Industry and Information Technology (MIIT) and the National Development and Reform Commission (NDRC) jointly issued the Notice on Deepening Financial Services for Manufacturing Industry to Facilitate the Advancement of New Industrialization (hereinafter referred to as the "Notice"). The Notice introduced four key tasks of promoting new industrialization with more targeted and effective financial services. Firstly, support industrial and supply chain safety and stability. Secondly, promote sci-tech innovations for industrial development, by implementing the innovation-driven development strategy to support business entities such as tech SMEs, innovation SMEs, high-tech enterprises, specialized and sophisticated SMEs that produce new and unique products, enterprises where technology centers are located, single-product champion manufacturing enterprises, and enterprises undertaking major national sci-tech projects. Thirdly, support the upgrading of industrial structure. Fourthly, support the intelligent and green development of industries. Going forward, the listed banks should follow the regulatory guidance, improving credit structure and advancing the development of technology finance, to facilitate the transformation and upgrading of manufacturing industry.

Growth of manufacturing loans of the listed banks

RMB million



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

* The figure is calculated based on the statistical standards for reporting to NFRA. Technology loans include loans, trade finance and discounted bills.

** Corporate loans of commercial banks in the Chinese Mainland.

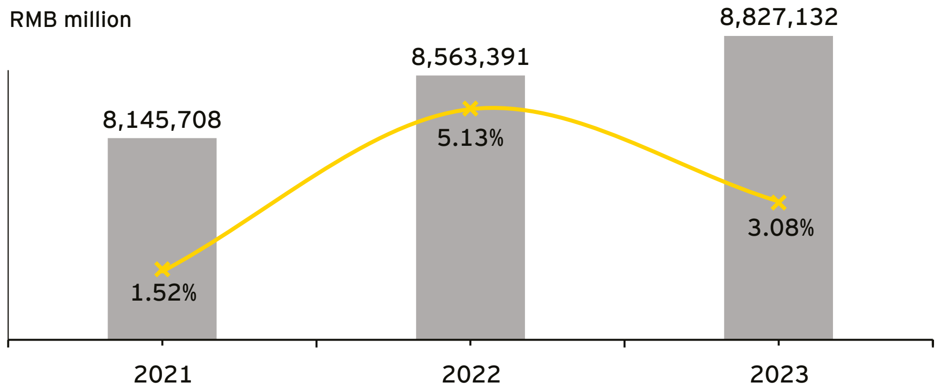
Slower growth in real estate loans

2.05 percentage points

Since 2023, the government has introduced an array of policies to stabilize the real estate sector and boost the healthy development of real estate market, including the Notice on Optimizing the Standards for Determining the Number of Housing Units in Personal Housing Loans and the Notice on Matters related to Cutting the Interest Rate of Existing Mortgages for First-home Purchases issued in August 2023, and the policies of removing or easing purchase and sales restrictions in some cities in September 2023.

Under the favorable policies, the listed banks maintained a growth of 3.08% in real estate loans in 2023, though slower than that in 2022 by 2.05 percentage points. The large banks' real estate loans grew by 5.51%, down 4.22 percentage points from 2022. The balance of national joint-stock banks' real estate loans continued to decrease, down 0.85% from 2022 year-end, but the decrease narrowed by 1.13 percentage points as compared with the prior year. The growth in real estate loans of city commercial banks decreased to 1.65% from 4.96% in 2022. The real estate loans of rural commercial banks increased by 0.96% in 2023, reversing the decrease of 3.00% in 2022.

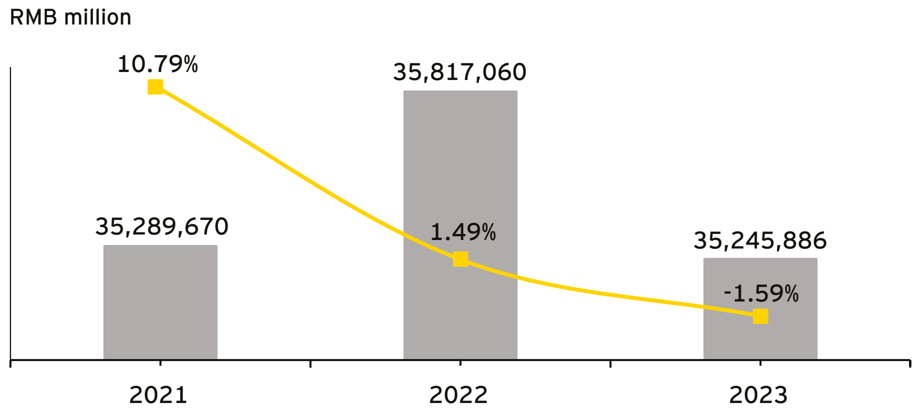
Growth of real estate loans of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

The growth of real estate loans in personal loans continued to decline, and the balance of personal housing loans of the listed banks decreased by 1.59% in 2023, relative to an increase of 1.49% in 2022. The balance of large banks' personal housing loans decreased by 1.92% in 2023, relative to an increase of 1.80% in 2022. The balance of national joint-stock banks' personal housing loans decreased by 0.56% in 2023, 0.34 percentage point faster than the decrease in 2022. The balance of city commercial banks' personal housing loans increased by 0.63%, slower than the 3.07% growth in 2022. The balance of rural commercial banks' personal housing loans decreased by 6.46%, relative to an increase of 1.30% in 2022.

Growth in personal housing loans of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.
* ZJRCB did not disclose personal housing loans in its annual reports.

Steady growth in liabilities

11.37 percentage points

December 2023, the liabilities of the listed banks totaled RMB270,475.04 billion, an increase of RMB27,603.32 billion, or 11.37%, from the prior year-end, down 0.34 percentage point.

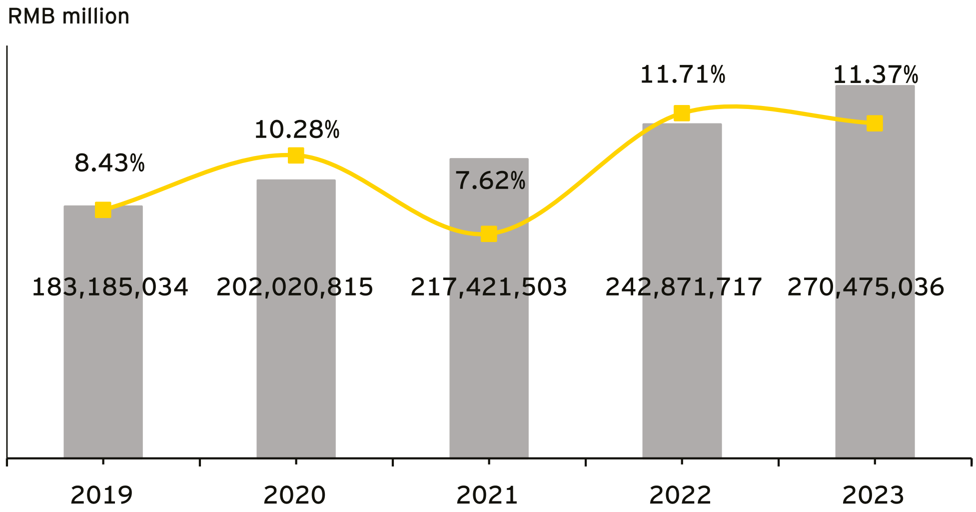
The total liabilities of large banks increased by 13.18% from the prior year-end, down 0.02 percentage point. Specifically, ABC recorded the largest increase of 18.32%, up 1.04 percentage points, mainly due to the growth of customer deposits. BOCOM recorded the lowest increase of 8.39%, down 3.49 percentage points.

The total liabilities of national joint-stock banks increased by 7.36% from the prior year-end, down 0.03 percentage point, with five banks excluding CMB, SPDB, CITIC, PAB and CBHB, seeing a faster growth in liabilities as compared with the prior year. Particularly, the total liabilities of CZB increased by 20.29% from the prior year-end, up 4.43 percentage points, as its customer deposits grew by 11.13% from the prior year-end.

The total liabilities of city commercial banks increased by 10.58% from the prior year-end, down 3.24 percentage points. Particularly, QLB's total liabilities rose by 19.68% from the prior year-end, mainly due to an increase of 14.18% in customer deposits from 2022 year-end.

The total liabilities of rural commercial banks increased by 8.36% from the prior year-end, down 0.50 percentage point. Particularly, RRCB's total liabilities grew by 24.63% from the prior year-end, up 7.24 percentage points, as its customer deposits increased by 16.80% from the prior year-end.

Growth in total liabilities of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Amount and growth rate of total liabilities of the listed banks* (Unit: RMB million)						
	2021		2022		2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC	31,896,125	4.80%	36,094,727	13.16%	40,920,491	13.37%
CCB**	27,639,857	7.37%	31,724,467	14.78%	35,152,752	10.81%
ABC	26,647,796	6.62%	31,251,728	17.28%	36,976,122	18.32%
BOC**	24,371,855	9.59%	26,330,247	8.04%	29,675,351	12.70%
BOCOM	10,688,521	8.86%	11,958,049	11.88%	12,961,022	8.39%
PSBC	11,792,324	10.41%	13,241,468	12.29%	14,770,015	11.54%
Large banks	**133,036,478**	**7.36%**	**150,600,686**	**13.20%**	**170,455,753**	**13.18%**
CMB	8,383,340	9.86%	9,184,674	9.56%	9,942,754	8.25%
IB	7,908,726	8.80%	8,509,373	7.59%	9,350,607	9.89%
CITIC	7,400,258	6.46%	7,861,713	6.24%	8,317,809	5.80%
PAB	4,525,932	10.27%	4,886,834	7.97%	5,114,788	4.66%
CEB	5,417,703	10.27%	5,790,497	6.88%	6,218,011	7.38%
SPDB	7,458,539	2.11%	7,997,876	7.23%	8,274,363	3.46%
CMBC	6,366,247	-0.67%	6,642,859	4.34%	7,037,164	5.94%
HX	3,375,585	8.29%	3,576,845	5.96%	3,933,004	9.96%
CZB	2,119,840	10.66%	2,456,000	15.86%	2,954,302	20.29%
CBHB	1,476,144	14.41%	1,549,509	4.97%	1,618,331	4.44%
National joint-stock banks	**54,432,314**	**6.93%**	**58,456,180**	**7.39%**	**62,761,133**	**7.36%**
BJS	2,420,819	12.29%	2,764,863	14.21%	3,144,246	13.72%
BOB	2,761,881	3.10%	3,077,335	11.42%	3,420,447	11.15%
BONB	1,865,613	23.73%	2,197,571	17.79%	2,509,452	14.19%
BSH	2,447,430	7.76%	2,656,876	8.56%	2,846,467	7.14%
BONJ*	1,626,382	15.42%	1,901,785	16.93%	2,115,682	11.25%
HSB	1,272,146	9.10%	1,457,414	14.56%	1,659,417	13.86%
BHZ	1,300,494	19.49%	1,517,965	16.72%	1,730,038	13.97%
BOCD	716,324	18.14%	856,224	19.53%	1,019,923	19.12%
BOCS	739,504	12.30%	842,561	13.94%	951,714	12.95%
BGY	554,627	1.54%	587,346	5.90%	624,535	6.33%
BCQ	569,707	9.63%	633,217	11.15%	700,584	10.64%
BSZ	418,740	17.35%	484,087	15.61%	554,175	14.48%
QLB	400,809	20.39%	470,424	17.37%	562,992	19.68%
BTJ	662,363	4.50%	700,464	5.75%	775,742	10.75%
BQD	488,922	13.99%	493,021	0.84%	568,046	15.22%
BGZ	464,892	10.59%	489,811	5.36%	528,368	7.87%
ZYB	705,854	1.11%	1,233,102	74.70%	1,249,558	1.33%
XMB	306,229	15.35%	346,464	13.14%	360,150	3.95%
BOXA	318,261	13.35%	376,591	18.33%	401,275	6.55%
WHCCB	280,351	14.00%	317,970	13.42%	363,869	14.44%
JSB	281,134	12.50%	313,066	11.36%	336,492	7.48%
LZB	371,332	10.88%	404,029	8.81%	420,129	3.98%
BZZ	515,568	2.74%	538,888	4.52%	576,395	6.96%
JXB	466,926	10.45%	468,758	0.39%	504,813	7.69%
LZB	124,808	13.53%	138,434	10.92%	146,709	5.98%
HRB	582,266	6.35%	649,412	11.53%	749,441	15.40%
SJB	925,623	-3.37%	1,000,976	8.14%	1,000,158	-0.08%
BJJ	426,090	9.49%	443,287	4.04%	462,893	4.42%
BGS	326,448	5.00%	344,603	5.56%	355,409	3.14%
City commercial banks	**24,341,543**	**10.16%**	**27,706,544**	**13.82%**	**30,639,119**	**10.58%**
SRCB	1,061,045	8.66%	1,175,683	10.80%	1,275,855	8.52%
CQRCB	1,159,807	11.38%	1,236,845	6.64%	1,317,580	6.53%
DRCB	543,379	6.60%	603,870	11.13%	651,365	7.87%
CSRCB	225,446	18.92%	263,766	17.00%	307,325	16.51%
GRCB	1,074,743	12.89%	1,145,205	6.56%	1,217,502	6.31%
QRCB	395,388	4.85%	398,309	0.74%	428,888	7.68%
WRCB	185,846	11.99%	192,083	3.36%	213,757	11.28%
JYRCB	139,962	7.25%	154,336	10.27%	169,954	10.12%
ZJGRCB	150,013	13.21%	171,807	14.53%	189,916	10.54%
BORF	123,051	4.05%	144,447	17.39%	180,018	24.63%
SZRCB	145,456	14.26%	165,950	14.09%	186,768	12.54%
ZJRCB	190,667	-6.01%	207,625	8.89%	229,193	10.39%
JTRCB	216,365	17.52%	248,381	14.80%	250,911	1.02%
Rural commercial banks	**5,611,168**	**9.86%**	**6,108,307**	**8.86%**	**6,619,031**	**8.36%**
All listed banks	**217,421,503**	**7.62%**	**242,871,717**	**11.71%**	**270,475,036**	**11.37%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.
*Total liabilities of the listed banks are presented in RMB million, on which the calculation of growth rates is based.
**ICBC, CCB, ABC, BOC, BOCOM, LZB and BGS restated the amount of total liabilities as at 31 December 2022 in 2023.

Stable liability structure

In 2023, the liability structure of the listed banks was held relatively stable. The liability growth was mainly driven by deposits that accounted for the largest proportion in total liabilities. The proportion of interbank liabilities and bonds issued in total liabilities decreased, while that of other types of liabilities increased.

As at 31 December 2023, the deposits of the listed banks amounted to RMB201,810.04 billion, growing by RMB19,380.35 billion, or 10.62%, from the prior year-end, down 1.82 percentage points. The deposits of large banks, national joint-stock banks, city commercial banks and rural commercial banks grew by 12.09%, 6.43%, 10.40% and 8.17%, respectively. As at 31 December 2023, the total deposits accounted for 74.61% of total liabilities, down 0.50 percentage point from 2022. The proportions varied for large banks, national joint-stock banks, city commercial banks and rural commercial banks, standing at 79.49%, 65.11%, 66.17% and 78.39%, respectively, showing different deposit-taking capacity and varying degrees of reliance on deposits.

Changes in the liability structure

	31 December 2021	31 December 2022	31 December 2023
Deposits	74.62%	75.11%	74.61%
Interbank liabilities*	11.85%	11.99%	12.29%
Bonds and debt securities issued	7.83%	7.45%	7.24%
Others	5.70%	5.45%	5.86%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

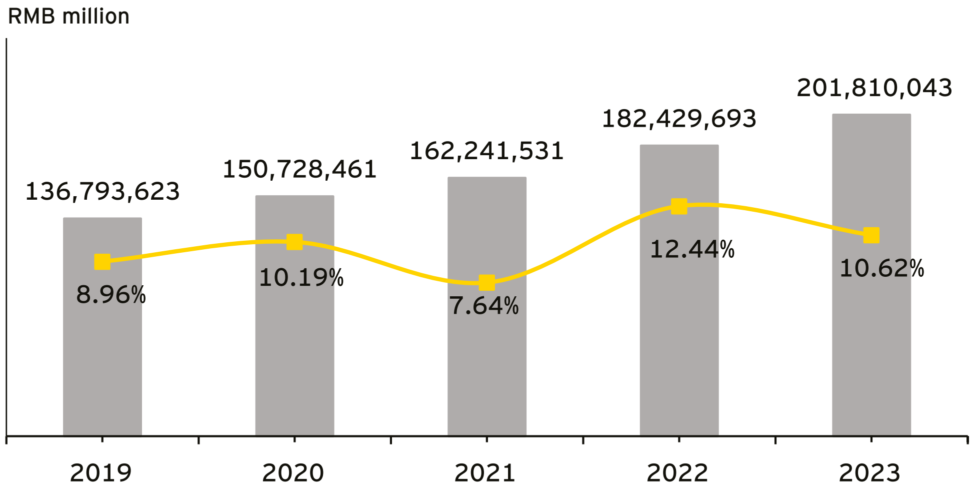
* Interbank liabilities, including due to and placements from banks and other financial institutions and financial assets under reverse repo.

Growth rate in deposits of the listed banks

	31 December 2021	31 December 2022	31 December 2023
Large banks	7.30%	12.69%	12.09%
National joint-stock banks	7.26%	10.75%	6.43%
City commercial banks	10.07%	14.87%	10.40%
Rural commercial banks	10.39%	10.89%	8.17%
All listed banks	7.64%	12.44%	10.62%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Growth in deposits of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

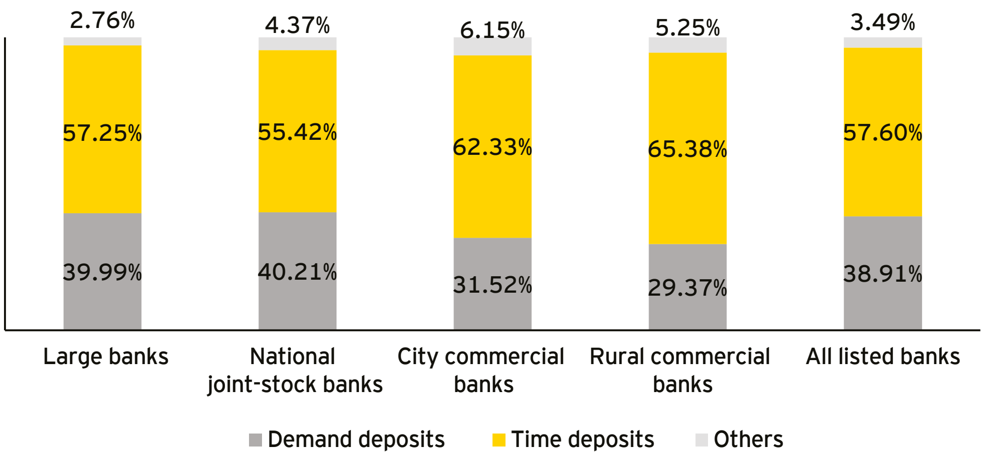
Increased proportion of time deposits

↑ 4.08 percentage points

In 2023, the proportion of time deposits of the listed banks increased significantly. As at 31 December 2023, the proportion was 57.60%, up 4.08 percentage points from 2022 year-end. The proportion of time deposits of large banks was 57.25%, up 5.00 percentage points from 2022 year-end, with PSBC reporting the largest proportion of 71.12%, up 3.46 percentage points from 2022 year-end. The proportion of time deposits of national joint-stock banks was 55.42%, up 1.52 percentage points from 2022 year-end, with CMBC reporting the largest proportion of 67.88%, up 1.65 percentage points from 2022 year-end, and CMB reporting the smallest proportion of 44.67%, up 7.92 percentage points from 2022 year-end. CMB was the only national joint-stock bank seeing a higher proportion of demand deposits than time deposits. The proportion of time deposits of city commercial banks was 62.33%, up 3.35 percentage points from 2022 year-end, with HRB reporting the largest proportion of 77.05%, up 1.32 percentage points from 2022 year-end. The proportion of time deposits of rural commercial banks was 65.38%, up 3.75 percentage points from 2022 year-end, with JTRCB reporting the largest proportion of 76.82%, up 5.40 percentage points from 2022 year-end.

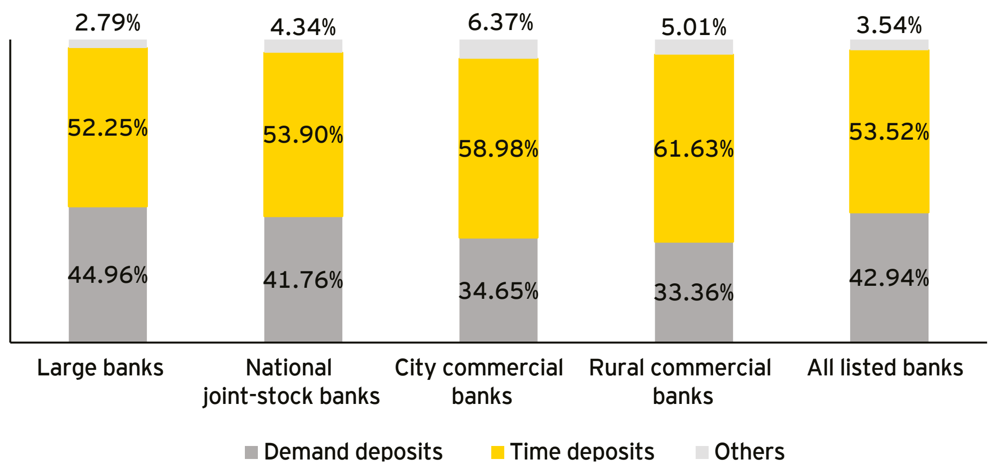
* The denominator of deposit proportion includes accrued interest.

Breakdown of deposits of the listed banks in 2023 (demand deposits/time deposits)



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Breakdown of deposits of the listed banks in 2022 (demand deposits/time deposits)



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

In 2023, personal deposits of the listed banks grew by 13.97%, down 4.47 percentage points from the prior year-end. The growth rate of personal deposits was 6.50 percentage points higher than that of corporate deposits. Except for HX, SPDB, BOXA, SJB, BGS, BJJ, LZB, BLZ, GRCB and DRCB that reported a growth rate of less than 10%, all other listed banks saw a growth rate of over 10%, mainly driven by growing time deposits.

Comparison of growth in different types of deposits of the listed banks

	31 December 2021	31 December 2022	31 December 2023
Corporate demand deposits	4.42%	0.54%	0.29%
Corporate time deposits	7.64%	13.58%	15.21%
Corporate deposits	**5.85%**	**6.41%**	**7.47%**
Personal demand deposits	4.16%	10.81%	0.17%
Personal time deposits	13.32%	23.43%	22.05%
Personal deposits	**9.51%**	**18.44%**	**13.97%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Against the backdrop of slower economic growth and rising volatility in the capital market, corporate and household residential confidence in investment and consumption declined, which, compounding sharply fluctuating net value of wealth management products, led to rapid deposit growth for the listed banks, especially the proportion of time deposits, thus weighing on their cost control. Entering 2024, a number of large banks and joint-stock banks thus have announced cuts in deposit interest rates to reduce deposit cost. The listed banks should continue to strengthen liability management, perform forward-looking evaluations over pricing, and dynamically adjust adapting strategies from the perspective of liability structure, robustness, and proportionality of costs and assets.

03

Developing retail banking to meet diverse financial needs

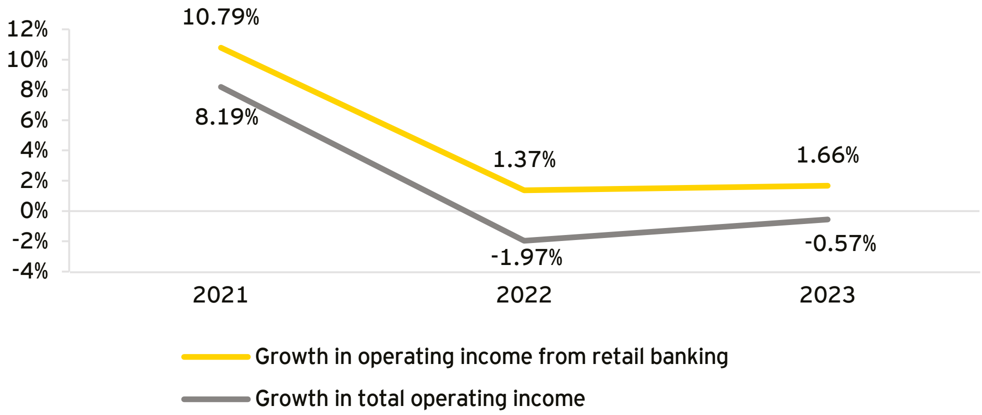
In 2023, the listed banks continued with their retail transformation aligned with customers' diverse financial needs, vigorously expanding consumer finance, wealth management and pension finance to support the people's pursuit of a better life. However, faced with the mounting pressure on operating income and profit growth of retail banking from the increasingly fierce competition amid deepening retail transformation, the listed banks have begun to seek new profit drivers by accelerating digital transformation and omni-channel synergy.

Ongoing pressure on retail operating income and profit growth

In 2023, the operating income from retail banking of listed banks accounted for 45.82% of total operating income, up 1.00 percentage point from 2022, exceeding the contribution of corporate banking (40.68%) by 5.14 percentage points (2022: by 4.01 percentage points), as well as outperforming the contribution of financial market business (10.91%). Profit before tax of retail banking accounted for 41.50% of total profit before tax, down 2.35 percentage points over 2022. In contrast, the proportion was 40.64% for corporate banking and 16.00% for financial market business. Retail banking's lead narrowed over corporate banking and financial market business in terms of proportion of profit before tax. In 2023, affected by increased provision for impairment of retail loans, the contribution of retail banking to operating income of the listed banks showed an upward trend, and the contribution of retail banking to pre-tax profits showed a downward trend.

More listed banks' move to strategically focusing on developing retail banking has intensified competition, thus slowing down the overall growth of operating income contributed by retail banking, which, nevertheless, remained faster than the growth rate of the total operating income. In 2023, the total operating income from retail banking of the listed banks amounted to RMB2,470.74 billion, growing by RMB40.23 billion, or 1.66%, from 2022. The retail operating income of large banks grew by 2.49%, driven by upticks at five large banks (ICBC saw a decrease). The retail operating income of national joint-stock banks dropped by 1.29%. Specifically, IB, SPDB and HX did not disclose their results, CMB, CITIC and CZB saw a positive growth, while the rest four saw a negative growth. The retail operating income of city commercial banks grew by 4.20%, with significantly divergent readings among individual banks. Notably, BHZ reported the largest growth of 39.69%. The retail operating income of rural commercial banks decreased by 3.02%, as the growth in eight banks was offset by the decline in the rest five banks. JYRCB reported the largest growth of 48.22%.

Growth in the listed banks' operating income from retail banking



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

	Growth in the listed banks' operating income from retail banking			Growth in total operating income of the listed banks		
	2021	2022	2023	2021	2022	2023
Large banks	11.10%	-0.77%	2.49%	8.43%	-4.06%	-0.02%
National joint-stock banks	8.66%	3.12%	-1.29%	5.01%	0.25%	-3.71%
City commercial banks	12.76%	14.92%	4.20%	10.38%	5.33%	1.09%
Rural commercial banks	17.41%	13.91%	-3.02%	9.31%	0.81%	-2.98%

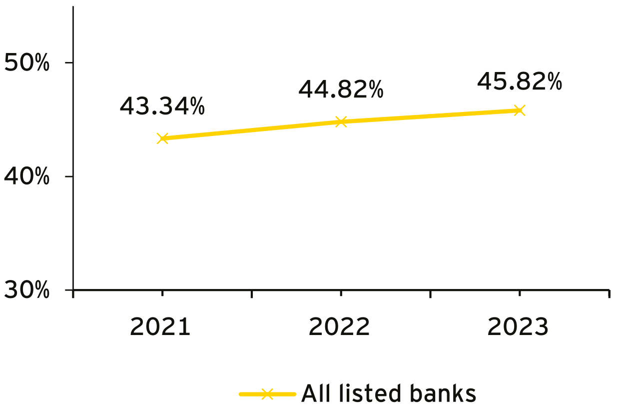
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

In 2023, large banks saw a relatively stable performance in retail banking, with operating income accounting for 48.35% of the total operating income, up 1.18 percentage points from 2022, and profit before tax representing 46.64% of the total profit before tax, down 1.06 percentage points from the prior year. By leveraging the extensive network of outlets and making continued efforts in developing retail banking, large banks achieved an operating income of RMB1.71 trillion and a profit of RMB0.75 trillion in retail banking, accounting for 69.09% and 77.28%, respectively, of the total retail operating income and total retail profit of all listed banks. Particularly, PSBC continued to implement the strategy of building a "first-class large retail bank" and focused on improving major capabilities in six aspects and building differentiated competitive advantages. In 2023, PSBC's operating income from retail banking continued to account for over 70% of the total operating income.

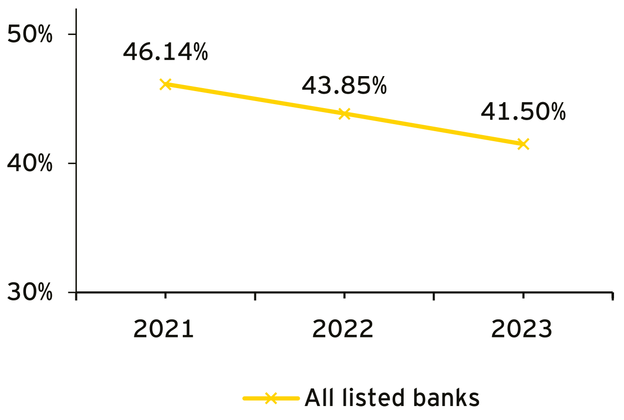
The retail operating income of national joint-stock banks accounted for 48.48% of total operating income, up 0.81 percentage point from 2022. All joint-stock banks moved ahead with retail transformation. For example, guided by the strategic vision of building a "best value creation bank featuring innovation-driven development, leading business models and sharpened differentiators", CMB continuously consolidated its systematic advantages of retail finance by strengthening capital-heavy businesses and expanding capital-light businesses including wealth management, to advance high-quality development of retail banking. PAB comprehensively promoted digital operations and committed to building "China's most outstanding, world-leading smart retail bank", seeing remarkable results. IB unleashed potentials on new arenas as it strove to establish a robust comprehensive financial service system featuring pension finance, elderly care service finance and elderly care industry finance, and expedited the construction of retail credit facilities empowered by digital transformation.

City commercial banks increasingly relied on corporate business or financial market business to generate profits. They all registered a low proportion of operation income and profit contribution from retail banking. In 2023, their retail operating income accounted for 28.49% of total operating income, up 0.86 percentage point from 2022, and the profit before tax from retail banking accounted for 18.12% of total profit before tax, down 5.48 percentage points from the prior year. Rural commercial banks were heavily engaged in "agriculture, rural areas and farmers" ("San Nong") business, thus seeing a higher proportion of retail operating income and profit contribution than city commercial banks. In 2023, the retail operating income of rural commercial banks accounted for 40.55% of the total operating income, down 0.02 percentage point from 2022, and the retail profit accounted for 35.37% of the total profit, down 2.44 percentage points from the prior year.

Contribution of retail banking to operating income of the listed banks



Contribution of retail banking to pre-tax profits of the listed banks



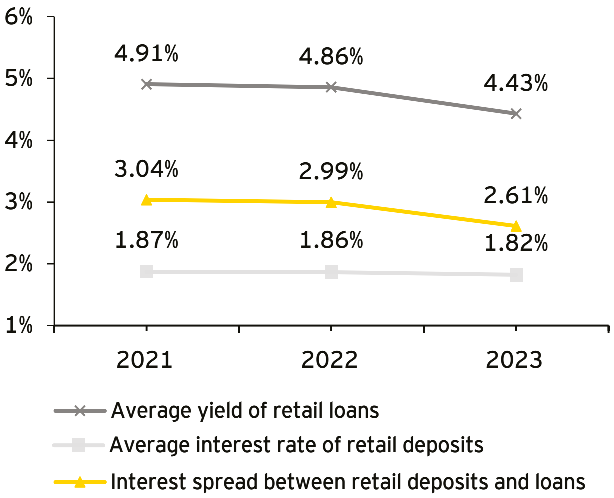
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

	Contribution of retail banking to operating income of the listed banks			Contribution of retail banking to pre-tax profits of the listed banks		
	2021	2022	2023	2021	2022	2023
Large banks	45.60%	47.17%	48.35%	48.45%	47.70%	46.64%
National joint-stock banks	46.53%	47.67%	48.48%	46.57%	41.59%	36.90%
City commercial banks	25.33%	27.63%	28.49%	29.22%	23.60%	18.12%
Rural commercial banks	35.90%	40.57%	40.55%	43.44%	37.81%	35.37%

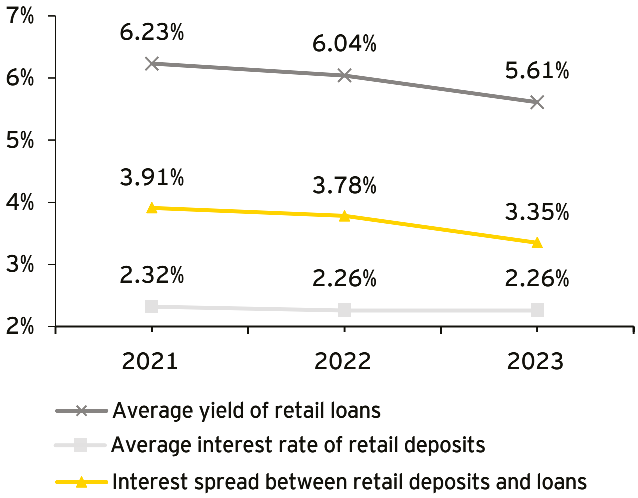
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

In 2023, interest margin of deposits and loans in retail banking continued to decline. The average yield of retail loans of large banks decreased by 43 bps to 4.43% from 2022; the average interest rate of retail deposits decreased by 4 bps to 1.82% from 2022; and the interest spread between retail deposits and loans decreased by 38 bps to 2.61% from 2022. The average yield of retail loans of national joint-stock banks decreased by 43 bps to 5.61% from 2022; the average interest rate of retail deposits was 2.26%, comparable to that in 2022; and the interest spread between retail deposits and loans decreased by 43 bps to 3.35% from 2022. In 2023, among large banks and national joint-stock banks, PAB reported the highest retail loan yield of 6.58%, down 80 bps from the prior year. CMB registered the lowest interest rate of 1.42% on retail deposits, up 20 bps from the prior year. CBHB reported the highest interest rate of 2.94% on retail deposits, down 1 bp from the prior year. The interest margins on retail banking were divergent among the listed banks, with PAB, HX and CMB recording higher interest spread, standing at 4.25%, 3.92% and 3.60%, respectively, in 2023.

Average yields of retail loans and average interest rates of retail deposits of large banks*



Average yields of retail loans and average interest rates of retail deposits of national joint-stock banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks. The data are arithmetic means.
*BOC is not included in the calculation.

Differentiated strategies to navigate competition

In 2023, the listed banks continued to implement their retail strategies, highlighted by "omni-channel synergy", "comprehensive retail", "wealth management" and "extensive wealth management". They developed differentiated retail strategies based on the characteristics of their own business to navigate intensifying competition.

Many listed banks developed retail strategies highlighting the business concept of being "customer-centric". Adhering to the "people-centered" operational philosophy, CCB seized historic opportunities of both the wealth era and the digital era, pressed ahead with the New Finance initiatives and the extensive wealth management strategy, to intensify digitalized operations and consolidate its position of being the largest retail banker. CCB also expanded consumer ecosystem, creating a brand image of "private banking pacesetter" and driving the high-quality development of personal finance business.

Unswervingly adhering to the philosophy of "financial services for the people", ABC further implemented its retail development strategy featuring "One Main Body with Two Wings". It continuously improved the main body of capability to provide refined services to customers, and strengthened the two wings of extensive wealth management and digital transformation, to enhance financial services for rural revitalization, new urban residents and elderly care, and accelerate the transformation of customer service model. BOC adhered to customer-oriented and technology-driven strategies to foster the systematic aggregation of business offerings and the integration of products and services, with a view to establishing itself as a leading bank in full-stack personal banking. Upholding the "people-centric" philosophy, CITIC took a customer- and value-orientated approach to continuously build a new retail model with wealth management at its core.

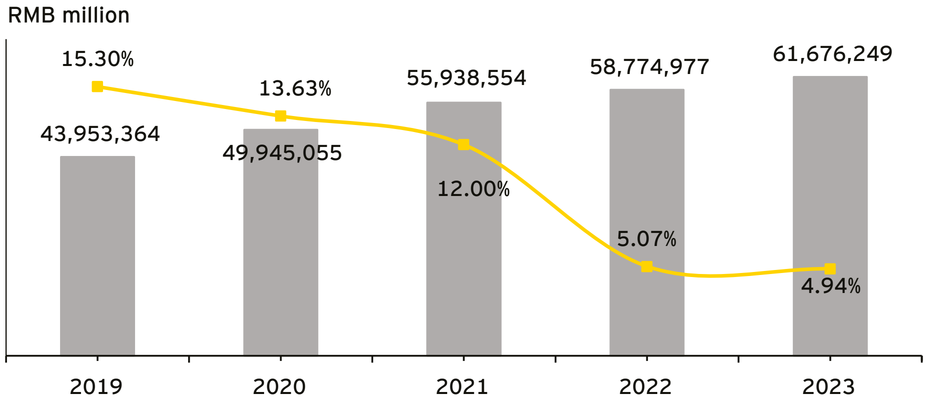
Some listed banks capitalized "omni-channel synergy" to construct a wealth management system around customers' needs. ICBC continuously implemented the strategy of building itself into a "top personal bank". Catering to customers' needs to make money, borrow money, spend money and manage money, it built a new ecosystem of wealth management, consumer finance, payment and settlement, and account management services, and accelerated the transformation of operation model focusing on the building of "master payment account — master wealth management account — master relationship account" of personal customers. IB pursued "asset-light, capital-light and high-efficiency development", and strengthened the concept of capital-intensive management to improve risk asset allocation efficiency and risk measurement. It focused on improving retail business, and promoted the synergistic and balanced development of the three major business sectors of retail, corporate finance, and interbank and financial markets.

The listed banks moved ahead with digital transformation to drive business growth with technologies. BOCOM strived to promote digital transformation of retail business. It had built an integrated, full-process "online + offline" service system, enriched financial service scenarios, enhanced the effectiveness of customer acquisition and activation across all channels in all scenarios, improved the ability for value creation, and enabled sustained and stable growth in assets under management (AUM). CMB accelerated the transformation and upgrading from "online retail" to "digital and intelligent retail", constructed the intelligent wealth management engine and intelligent customer service engine, and consolidated its digital capabilities. BOB relied on digital transformation to drive retail transformation and accelerated the construction of a new retail strategy system focusing on customer experience and value creation, pressed ahead with the strategies of becoming "your lifetime bank" and "children-friendly bank", and steadily improved retail profitability and scaled-up contribution, further demonstrating the results of retail transformation.

Slower growth in retail loans leading to a decreased proportion in total loans

Retail loans, the key component of retail assets of the listed banks, grew by 4.94% from 31 December 2022 to RMB61,676.25 billion as at the end of 2023. The growth rate of large banks was 5.71%, with all six banks registering an increase. The growth rate of national joint-stock banks was 2.40%, with PAB, CBHB, SPDB and CEB reporting a slight decrease, and the remaining six an increase. The growth rate of city commercial banks stood at 7.81%, with BTJ and XMB reporting a slight decrease and the rest an increase. The growth rate of rural commercial banks was 3.55%, with divergence among the banks.

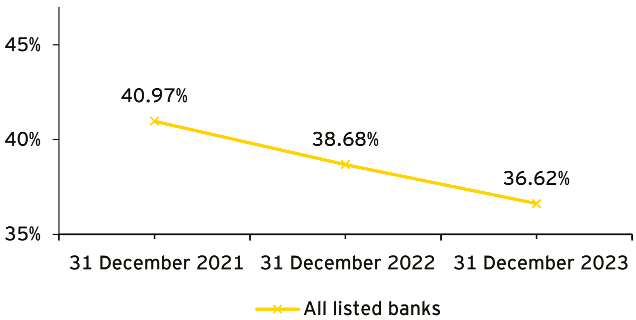
Growth of retail loans of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

At the end of 2023, the proportion of retail loans of the listed banks in total loans reached 36.62%, a decrease of 2.06 percentage points from the prior period-end. The proportion of retail loans in total loans was 35.92% for large banks, 41.62% for national joint-stock banks, 30.47% for city commercial banks and 31.93% for rural commercial banks. Notably, CSRCB, PAB, PSBC and CMB registered a higher proportion of retail loans of more than 50% in total loans.

Retail loans as a proportion of total loans of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Retail loans as a proportion of total loans of the listed banks

	2021	2022	2023
Large banks	41.19%	38.36%	35.92%
National joint-stock banks	44.02%	43.01%	41.62%
City commercial banks	33.17%	31.39%	30.47%
Rural commercial banks	34.14%	33.14%	31.93%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

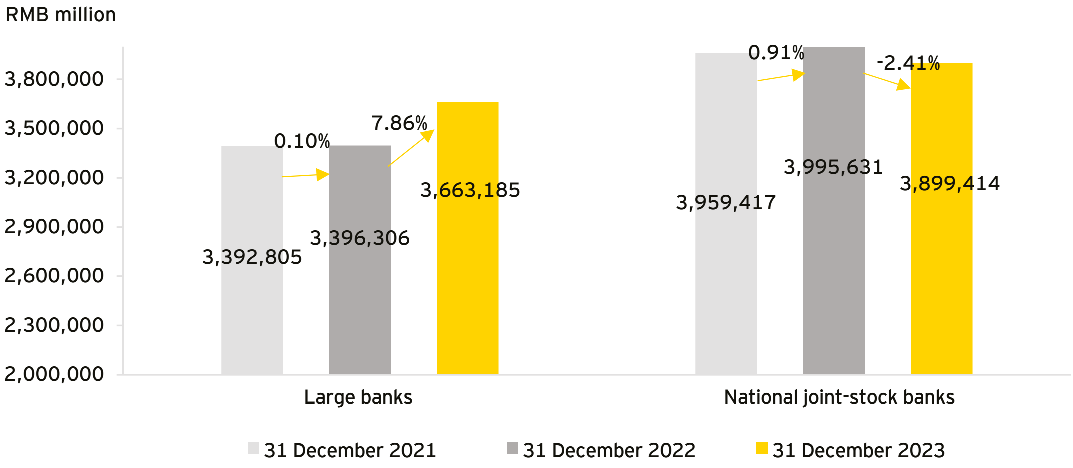
Housing mortgage loans remained a key component of retail loans. At the end of 2023, personal housing mortgage loans of the listed banks as a percentage of total retail loans decreased by 3.79% from 2022 to 57.15%. Due to the fluctuations in the real estate market, the personal housing mortgage loans of most listed banks showed a downward trend. The proportion of personal housing mortgage loans of large banks in retail loans remained above 50%. The personal housing mortgage loans of PSBC increased by 3.37% in terms of scale, and the rest registered a decrease. For national joint-stock banks, the proportion averaged 38.97%, down 1.16 percentage points from 2022 year-end. CZB, PAB and CITIC recorded an increase, and the rest saw a decrease from 2022 year-end. The proportion showed significant divergence among city commercial banks and rural commercial banks, which stood at between 9.88% and 74.18%. The scale of personal housing mortgage loans showed a downward trend across the board, except few banks reporting a small increase.

Personal business loans saw a slower growth. By the end of 2023, the balance of personal business loans of the listed banks increased by 22.71%, a sharp decrease of 11.28 percentage points from the growth rate in 2022 year-end. The balance of personal business loans of large banks grew by 39.68%. CCB reported the largest increase of 87.19%, BOC did not disclose its personal business loans, and the other four banks recorded a growth rate ranging from 20% to 45%. The balance of personal business loans of national joint-stock banks grew by 9.24%. CBHB saw a decrease of 28.68%, CMB and HX did not disclose their personal business loans, and the rest showed an upward trend. The balance of personal business loans of city commercial banks and rural commercial banks grew by 10.45% and 8.76%, respectively.

Personal consumer loans saw a slower growth. As at 31 December 2023, the balance of personal consumer loans of the listed banks increased by 19.46% from 2022 year-end, an decrease of 10.11 percentage points from the growth rate at 2022 year-end. Large banks recorded the highest growth rate of 38.64%. National joint-stock banks experienced the lowest growth of 6.73%, presenting diversified movements, and city commercial banks and rural commercial banks saw a slower growth of 18.42% and 16.62%, respectively. In the Outline of the 14th Five Year Plan, an objective is to "ensure the principal position of the people, adhere to the direction of common prosperity" and "standardize the development of consumer credit". In September 2023, NFRA issued the Notice on Financial Support for Resuming and Expanding Consumption, to guide various types of financial institutions to explore consumer finance segments and develop diversified consumption scenarios based on deep understanding of the nature and laws of finance, to improve retail service quality, meet reasonable credit needs of residents, and better serve the real economy through differentiated financial services. In March 2024, fourteen authorities including the Ministry of Commerce issued the Notice on Promulgation of the Action Plan for Promoting Consumer Goods Trade-ins. The plan proposes to develop policy incentives and market mechanism for large-scale equipment renewal and consumer goods trade-ins, so as to expand domestic needs, support the people's pursuit of a better life, promote resource recycling, and contribute to green consumption and sustainable development. These policies will boost consumer needs and present new opportunities for consumer credit of the listed banks.

The growth of credit card loans was divergent among different types of listed banks. As at 31 December 2023, the credit card balance of large banks amounted to RMB3,663.19 billion, growing by 7.86% from 2022 year-end, up 7.76 percentage points from the growth in the prior year. The credit card balance of national joint-stock banks as at 31 December 2023 amounted to RMB3,899.41 billion, down 2.41% from 2022 year-end. On 28 March 2024, the PBOC issued the Payment System Report (Q4 2023), which shows that at end-Q4, credit cards and debit-credit integrated cards decreased by 1.51 percent q-o-q and 3.89 percent y-o-y to 767 million. The per capita number of credit cards and debit-credit integrated cards recorded 0.54. Credit card risk rose. The credit card payment overdue by half a year or more totaled RMB98.14 billion, increasing by 4.69 percent q-o-q, accounting for 1.13 percent of the total outstanding balance. In July 2022, the NFRA (formerly known as the CBIRC), together with the PBOC, issued the Notice on Further Promoting the Standard and Healthy Development of Credit Card Business, to standardize the credit card operation, improve the quality and efficiency of credit card services, protect the legitimate rights and interests of financial consumers, and support their rational consumption. The Notice specifies a two-year transition period for companies to rectify their legacy businesses that do not comply with the provisions. The year 2023 remains within the transitional period toward completion of remediation. Despite implications for the size of credit card loans and card issuance in a short run, the Notice will promote the healthy and sustainable development of credit card business.

Credit card loans



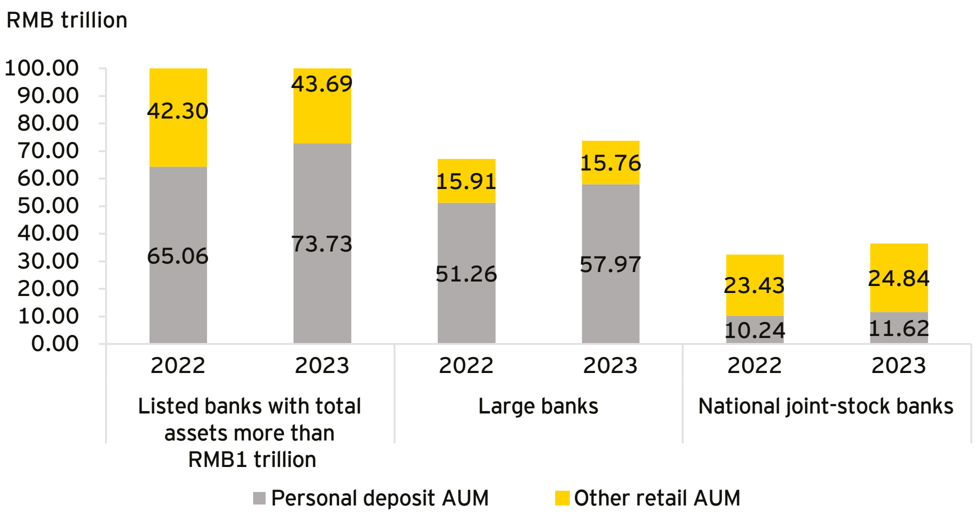
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Retail assets under management maintained high growth

Retail AUM of the listed banks showed a growing trend in 2023. Among the listed banks individually holding total assets of over RMB1 trillion, 22 listed banks disclosed retail AUM data in their annual reports, totaling RMB117.42 trillion at 2023 year-end, an increase of RMB10.06 trillion from 2022 year-end.

Most of the listed banks reported an increase in retail AUM. As at 31 December 2023, listed commercial banks individually holding over RMB10 trillion of retail AUM included ICBC, CCB, PSBC, BOC and CMB, which achieved a retail AUM growth of RMB2.05 trillion, around RMB1.5 trillion, RMB1.34 trillion, nearly RMB1.29 trillion and RMB1.2 trillion, respectively. BONB recorded the highest retail AUM growth of 22.5% in 2023.

Retail AUM composition of listed banks with total assets of more than RMB1 trillion*



Source: Calculated based on the annual reports and prospectuses published by the listed banks.
* Only the listed banks that disclosed the data in both 2022 and 2023 are included in calculation.

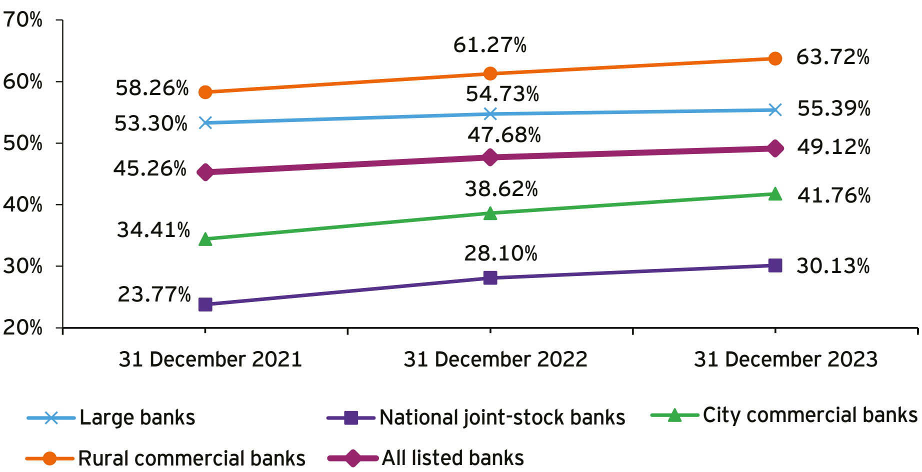
Retail AUM of listed banks with total assets of more than RMB1 trillion * (Unit: RMB trillion)		
	Retail AUM in 2022	Retail AUM in 2023
ICBC	18.66	20.71
CCB	Almost 17.00	Breakthrough 18.50
BOC	Almost 13.00	Breakthrough 14.29
BOCOM	4.62	5.00
PSBC	13.89	15.23
Large banks	**67.17**	**73.73**
CMB	12.12	13.32
IB**	4.15	4.79
CITIC	3.91	4.24
PAB	3.59	4.03
CEB	2.42	2.73
SPDB	3.95	More than 3.68
CMBC	2.57	2.74
HX	0.96	0.93
National joint-stock banks	**33.67**	**36.46**
BJS	1.07	1.24
BOB	0.97	1.04
BONB	0.81	0.99
BSH	0.97	0.96
BONJ	0.62	0.73
BHZ	0.48	0.52
BOCS	0.33	0.40
ZYB	0.57	0.60
SRCB	0.70	0.75
Total	**107.36**	**117.42**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.
Only the listed banks that disclosed the data in both 2022 and 2023 are included in calculation.
** IB's retail AUM in 2022 was calculated based on growth rate disclosed in the 2023 annual report.

Analyzed by composition of retail AUM, retail deposits of large banks made greater contribution to retail AUM, ranging from 60% to 85%. In contrast, for national joint-stock banks, the proportions of retail deposits in total retail AUM in 2023 were low, ranging from 20% to 60%. Specifically, CMB recorded the lowest proportion of about 25%, and HX recorded the highest proportion of about 55%. Capital-light and high-yield wealth management services such as wealth management, family trusts, agency insurance and fund management were major sources of retail AUM for national joint-stock banks.

As the main growth driver of retail AUM of large banks, the aggregate retail deposits of the listed banks amounted to RMB99,127.92 billion as at 31 December 2023, growing by 13.97% from a year earlier and accounting for 49.12% of total bank deposits, up 1.44 percentage points from the prior year-end. Rural commercial banks saw the largest proportion of retail deposits in total deposits, which was 63.72% as at the end of 2023, up 2.45 percentage points from the prior year-end. For large banks, national joint-stock banks and city commercial banks, the proportions stood at 55.39%, 30.13% and 41.76%, respectively, indicating increases to various degrees from the prior year.

Retail deposits as a proportion of the total deposits of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Opportunities and challenges from eldercare finance

According to the information released by the National Bureau of Statistics, as at 31 December 2023, population aged 60 and above in China increased by 16.93 million year-on-year to 290 million, accounting for 21.1% of the total population, up 1.3 percentage points. A multi-layered, multi-pillared elderly care insurance system is the key to navigate the challenge of population aging and underpin the seniors' pursuit of good quality of life. The first meeting of the Central Commission for Financial and Economic Affairs (CCFEA) under the 20th CPC Central Committee was held in May 2023. It emphasized the keynotes including implementing the national strategies in active response to the population aging, expediting the construction of fundamental elderly care service system, developing the silver economy, and accelerating the building of a multi-layered, multi-pillared elderly care insurance system to make sure that the seniors have a sense of security, worthiness and happiness. By 2023, the personal pension scheme had been piloted in 36 cities for one year, and people's pension wealth management needs had been well met as financial institutions further improved personal pension wealth management services and diversified pension products in accordance with the Opinions on the Development of Private Pension, the Rules on Private Pension, the Announcement on Personal Income Tax Policies related to Private Pension, the Interim Rules on Securities Investment Fund Publicly Raised by Private Pension Investment, and the Interim Rules on Personal Pension Business of Commercial Banks and Wealth Management Companies. Banks also integrated pension financial services with their inclusive financial services to grow business volume from new customers under third-pillar pension plans.

At present, products under third-pillar pension plans in China mainly include savings products and insurance products "for security", as well as fund products and WMPs "for stable store of value". According to the data at national social insurance service platform, among the 23 banks qualified for provision of personal pension services, 22 listed banks already provided personal pension fund account services and savings products. Specifically, 19 banks provided fund products and 18 banks launched insurance products; and only 17 banks offered transaction of WMPs. Particularly, 15 banks handled a full spectrum of transactions covering pension fund, insurance, wealth management and savings.

Provision of personal pension services of qualified listed banks

	Fund account services	Fund products	Insurance products	WMPs	Savings products
CMB	√	√	√	√	√
IB	√	√	√	√	√
BOCOM	√	√	√	√	√
PAB	√	√	Not yet available	√	√
CITIC	√	√	√	Not yet available	√
CEB	√	√	√	Not yet available	√
BOC	√	√	√	√	√
BONB	√	√	√	√	√
CCB	√	√	√	√	√
CGB	√	√	√	√	√
CMBC	√	√	√	√	√
ABC	√	√	√	√	√
ICBC	√	√	√	√	√
HX	√	√	√	Not yet available	√
PSBC	√	√	√	√	√
BJS	√	√	√	√	√
BSH	√	√	√	√	√
SPDB	√	√	√	√	√
BOB	√	√	√	√	√
CZB	√	Not yet available	Not yet available	√	√
BONJ	√	Not yet available	Not yet available	Not yet available	√
CBHB	√	Not yet available	Not yet available	Not yet available	√
HFB**	Not yet available	Not yet available	Not yet available	Not yet available	Not yet available

Source: National social insurance service platform.
*The data is sourced from annual reports published by the listed banks and data at national social insurance service platform;
**Hengfeng Bank (HFB) is qualified for provision of personal pension services as a listed bank, but has not carried out the related business.

Most listed banks highlighted personal pension business in their 2023 annual reports. Some banks also disclosed data on personal pension accounts and products. As at the end of 2023, CCB opened more than 9 million personal pension accounts, among which 7.66 million were opened via mobile banking; IB opened a total of 4.25 million personal pension accounts, an increase of 1.96 million or 85.42% from the prior year-end, covering the full spectrum of personal pension products, i.e., savings, funds, wealth management and insurance, with over 150 product portfolios available; CMB opened 5.36 million personal pension fund accounts, an increase of 3.70 million or 222.82% from the prior year-end; CMBC supported the opening of personal pension accounts for 1.70 million customers, an increase of 330.57% from the prior year-end; CITIC opened 0.93 million personal pension fund accounts, an increase of 206.48% from the prior year-end; and BOB cumulatively opened more than 1.30 million personal pension fund accounts, an increase of 550% over 0.20 million in 2022.

BOC Wealth Management Co., Ltd., a subsidiary of BOC, launched its first batch of five personal pension WMPs, in an effort to support the construction of China's third-pillar pension plans. PSBC Wealth Management Co., Ltd., a subsidiary of PSBC, was among the first batch of institutions to provide personal pension services, taking the lead to issue three personal pension WMPs as part of its support for pension finance. To sum up, "personal pension", "third pillar", "pension finance" and other key words appeared frequently in annual reports of the listed banks. Each bank developed differentiated strategies and demonstrated positive growth and initial progress in the third pillar of pension finance.

Account opening of personal pension services of listed banks

	Number of accounts opened in 2023 (Unit: 10,000)	Number of accounts opened in 2022 (Unit: 10,000)	Growth
ICBC*	1,314	1,249	5.20%
CCB	>900	N/A	N/A
BOC*	412.37	389.88	5.77%
CMB	535.62	165.92	222.82%
IB	424.91	229.16	85.42%
CITIC	92.71	30.25	206.48%
CMBC **	170.16	39.52	330.57%
BOB	over 130	over 20	550.00%
BSH	158.53	160.57	-1.27%

Source: Paraphrased excerpts from the annual reports published by the listed banks.
* Number of accounts opened by ICBC and BOC for managed personal pension accounts;
** CMBC data in 2022 is calculated using the number and growth rate disclosed in its 2023 annual report.

Summary of the strategies and highlights of personal pension services of large banks in 2023

ICBC	ICBC kept up with the country's silver economy planning and the regional eldercare industry planning, optimized credit policies and increased financial support for the elderly care industry, to boost the high-quality development of the silver economy. It improved offerings around financial services for pension, eldercare services and eldercare sector, took the lead in the industry to establish an evaluation system consisting of 31 pension finance business indicators across nine service lines, and developed and put into operation a pension finance data platform.
CCB	CCB strategically enhanced the role of eldercare financial services, creating a unified brand, setting up the first group of featured outlets, and building the image of a professional bank for eldercare finance with concerted efforts. It seized policy opportunities to enhance professional capabilities, consolidating the development of Pillar 1 businesses such as social security cards, improving the quality and scale of Pillar 2 annuity business, and comprehensively promoting account expansion and product sales of Pillar 3 personal pension. It fully harnessed its advantages to provide eldercare services with CCB characteristics such as consultancy and planning for the elderly, conducted region-specific research and developed new offerings.
ABC	ABC expanded the coverage of pension financial services and promoted the innovation of special services for social security and medical insurance and the construction of the ecological scenario of government-bank collaboration. It actively supported the cultivation of the eldercare financial market, maintaining steady growth of annuity business in terms of the number of customers and business scale. It strengthened entrusted management capability to facilitate the steady appreciation of pension funds, and advanced the transformation and upgrading of eldercare financial services. It also improved the service efficiency of the eldercare sector financial services to address the pains of elderly customer experience. By identifying the elderly care industry as a key industry to support, it expanded the scope of services, credit support, and financing channels for elderly care institutions.
BOC	BOC adhered to the national strategy of actively responding to the aging population. Focusing on establishing the national eldercare security system, it developed and improved eldercare products and services and continued to provide a range of offerings including enterprise annuities, occupational annuities and personal pensions, thus satisfying customers' demands for eldercare financial services. It also fully supported the development of the silver economy. Its subsidiary, BOC Wealth Management, unveiled the first batch of five personal pension WMPs.
BOCOM	BOCOM proactively served the national strategy of actively responding to the aging population and strived to deliver a remarkable result in eldercare financial services. The bank also supported the construction of Pillar Three eldercare insurance system, promoted the personal pension financial services, and continuously grew the scale of personal pension accounts by optimizing customer experience and improving the availability and convenience of services. It opened distribution channels for a total of 159 types of products, covering all product categories, securing BOCOM's industry leading position in total number of offerings.
PSBC	PSBC optimized service functions, diversified pension products, innovated the Retirement Benefit Calculator, and add an automatic contribution feature to its mobile banking, to create a smart eldercare financial service ecosystem. It unveiled the specialty service of "Family Pension Account" to facilitate the planning of pension assets at the family level. It offered more pension product options, launching 50 selected WMPs and time deposits with flexible terms. To raise the public awareness of personal pension policies, it had launched eldercare financial service workshops titled "PSBC China Eldercare Services Tour" in nine key provinces and cities across the country to spread the concept of "planning for a better future", encouraged customers to adopt a scientific and rational approach to retirement investment, enhanced the personal pension service brand "U Enjoy Future", and contributed to the building of the national eldercare service system.

Source: Paraphrased excerpts from the annual reports published by the listed banks.

According to the statistics of the Ministry of Human Resources and Social Security (MHRSS), by the end of 2023, the pilot personal pension schemes in 36 cities/regions had more than 50 million onboarding participants, an increase of around 156% over 2022, with contributions totaled RMB28 billion, an increase of around 97% from the prior year. However, the proportion of participants paid contributions to total accounts remained low. The large gap between per capita contribution and the contribution cap of RMB12,000 indicates an active intent for account opening, but reluctance in investment. The personal pension fund account is opened exclusively, and each person can only open an account at a qualified bank upon verification through the information platform of the MHRSS, but the account can be migrated across banks subsequently. Although the personal pension business just begins, the listed banks have rushed into the battle for customer acquisition. Some have seen early results over the past year. However, the challenges are that consumers have few products to choose from for their personal pension accounts, have little experience in product selection, or have insufficient risk tolerance in short-term fluctuations. While diversifying the product portfolios, the listed banks need to improve their operational systems, including internal performance appraisals, and establish a long-term performance review mechanism that takes into account available products, profitability and risk control. While onboarding new accounts, banks can guide customers to learn about investment, including the concept of net value-based product management, to expand product options for customers who traditionally prefer bank deposits over other products. They can also further enhance the attractiveness as a provider of eldercare financial services by adopting cutting-edge technologies such as AI, improving customer service and management, optimizing investment management and insurance pension finance services, and strengthening risk management and monitoring.

Decline in wealth management revenue

2023 marks the second year of official implementation of new regulations on asset management. The wealth management revenue declined as WMPs lacked momentum for growth amid sharper market volatility. In 2024, driven by the multiple deposit rate cuts, the wider adoption of NAV-based products among investors, and the low volatility and stable investment strategy adopted by listed banks and their wealth management subsidiaries, the excess return on WMPs over time deposits continued to extend, fueling the recovery of wealth management business.

As at the end of 2023, the existing WMPs of the listed banks amounted to RMB24.55 trillion, decreasing by RMB604.3 billion, or 2.40%, from the end of 2022. At the beginning of 2023, the net value of some WMPs decreased sharply following the adverse developments in the bond market. The wealth management market bottomed out and headed to a stable recovery as the rapid recovery of bond market eased the pressure on redemptions and commercial banks lowered time deposits rates. However, the size of WMPs of most banks at the end of 2023 shrank as compared to the prior year-end.

Large banks saw a negative growth (-10.70%) in WMPs, narrowed 0.08 percentage point from the 10.78% growth in 2022. Specifically, CCB recorded the largest decrease of 21.64%. The WMPs of ICBC decreased by 13.39%, narrowing by 3.72 percentage points as compared with the prior year. ABC saw a decrease of 12.82%, down 6.09 percentage points from 2022. BOCOM was the only large bank recording a growth in WMPs, at 7.91%, as the bank actively expanded agent banking sales and established an open and diversified omni-channel system pivoted around the parent bank by adhering to the customer-centered principle and prioritizing investors' interest.

The WMP growth of national joint-stock banks was 5.60%, up 5.98 percentage points from 2022. Specifically, SPDB recorded the largest growth of 21.34%, an increase of 44.31 percentage points over the prior year, followed by HX and PAB, which reported growth of 15.30% and 14.23% respectively. In contrast, the WMP growth of CMB, CMBC, CZB and CBHB all declined. CZB saw the sharpest decline of 29.20%, down 15.17 percentage points over the prior year.

The WMP growth of city commercial banks was -2.85%, down 3.39 percentage points from 2022. Among the 29 listed city commercial banks, 11 saw growth in WMPs, of which BJS registered the largest growth of 18.73%, ranking the first among city commercial banks in terms of balance and growth rate. The main reason is that BJS built a service system that supports AUM + finance product aggregate (FPA) + fixed income, current and commodities (FICC) with its own characteristics, and vigorously gained tractions from comprehensive asset management, transaction banks, and direct financing and indirect financing that reinforce each other, so as to meet the diversified and multi-dimensional financial needs of customers with more adaptive, coordinated and resilient financial services and boost its own sustainable development. In contrast, the WMP growth of 18 city commercial banks slowed down, with HRB recording the sharpest decline of 33.22%, followed by BSH at 29.51%. ZYB and BTJ also each saw a decline of more than 20%.

Rural commercial banks saw a negative growth (-9.99%) in WMPs, down 10.93 percentage points from the prior year. Except for the increase in WMPs of ZJGRCB, all the rest recorded a decrease in WMPs, with ZJRCB seeing the largest decline of 31.10%, followed by GRCB, by 28.37%.

WMPs of the listed banks and subsidiaries (Unit: RMB million)						
	31 December 2021		31 December 2022		31 December 2023	
	Value	Growth	Value	Growth	Value	Growth
ICBC	2,586,900	-4.49%	2,144,256	-17.11%	1,857,056	-13.39%
CCB	2,372,279	6.63%	2,014,460	-15.08%	1,578,564	-21.64%
ABC	2,072,533	2.21%	1,933,155	-6.73%	1,685,287	-12.82%
BOC	1,710,750	23.17%	1,760,322	2.90%	1,631,063	-7.34%
BOCOM	1,426,253	17.68%	1,206,901	-15.38%	1,302,346	7.91%
PSBC	915,255	5.77%	830,062	-9.31%	776,499	-6.45%
Large banks	**11,083,970**	**6.30%**	**9,889,156**	**-10.78%**	**8,830,815**	**-10.70%**
CMB	2,777,537	13.57%	2,667,663	-3.96%	2,548,929	-4.45%
IB	1,790,000	21.30%	2,090,000	16.76%	2,260,000	8.13%
CITIC	1,403,275	13.15%	1,577,077	12.39%	1,728,406	9.60%
PAB	872,066	34.54%	886,840	1.69%	1,013,060	14.23%
CEB	1,067,709	27.67%	1,185,241	11.01%	1,312,263	10.72%
SPDB	1,089,600	-12.83%	839,303	-22.97%	1,018,404	21.34%
CMBC	1,012,833	17.62%	883,977	-12.72%	867,693	-1.84%
HX	610,054	3.66%	513,397	-15.84%	591,948	15.30%
CZB	245,092	-15.17%	210,705	-14.03%	149,182	-29.20%
CBHB	196,067	-8.02%	168,309	-14.16%	150,050	-10.85%
National joint-stock banks	**11,064,233**	**11.82%**	**11,022,512**	**-0.38%**	**11,639,935**	**5.60%**
BJS	414,900	18.00%	438,300	5.64%	520,374	18.73%
BOB	355,564	8.37%	303,828	-14.55%	267,892	-11.83%
BONB	332,270	16.49%	396,652	19.38%	402,051	1.36%
BSH	428,755	12.18%	397,881	-7.20%	280,450	-29.51%
BONJ	327,107	19.46%	342,646	4.75%	373,986	9.15%
HSB	225,225	11.59%	211,489	-6.10%	177,319	-16.16%
BHZ	306,721	16.39%	359,902	17.34%	373,866	3.88%
BOCD	63,100	19.48%	66,276	5.03%	73,045	10.21%
BOCS	69,257	38.74%	53,422	-22.86%	53,500	0.15%
BGY	83,783	-4.65%	67,358	-19.60%	64,422	-4.36%
BCQ	52,276	1.53%	53,549	2.44%	54,643	2.04%
BSZ	77,742	37.82%	71,391	-8.17%	68,660	-3.83%
QLB	68,488	14.00%	55,660	-18.73%	57,522	3.35%
BTJ	101,762	3.77%	79,600	-21.78%	63,059	-20.78%
BQD	167,804	35.19%	200,815	19.67%	208,122	3.64%
BGZ	23,616	3.76%	23,915	1.27%	23,901	-0.06%
ZYB	95,598	31.34%	93,269	-2.44%	70,672	-24.23%
XMB	20,344	-1.63%	12,302	-39.53%	12,248	-0.44%
BOXA	54,628	51.54%	28,351	-48.10%	31,742	11.96%
WHCCB	33,776	-90.74%	39,866	18.03%	35,628	-10.63%
JSB	52,081	35.86%	48,231	-7.39%	48,907	1.40%
LZB	37,484	74.46%	52,757	40.75%	52,506	-0.48%
BZZ	47,973	-2.20%	45,731	-4.67%	44,388	-2.94%
JXB	35,523	4.21%	30,023	-15.48%	29,944	-0.26%
LZB	10,041	234.59%	16,309	62.42%	16,275	-0.21%
HRB	48,772	-7.95%	43,223	-11.38%	28,865	-33.22%
SJB	43,588	-28.24%	43,819	0.53%	39,044	-10.90%
BJJ	42,619	22.52%	39,929	-6.31%	39,896	-0.08%
BGS	24,300	6.94%	24,703	1.66%	24,663	-0.16%
City commercial banks	**3,621,481**	**4.10%**	**3,641,197**	**0.54%**	**3,537,590**	**-2.85%**
SRCB	169,843	20.03%	184,999	8.92%	181,894	-1.68%
CQRCB	121,929	-11.81%	139,135	14.11%	120,511	-13.39%
DRCB*	48,461	11.16%	43,282	-10.69%	39,591	-8.53%
CSRCB	30,986	8.07%	33,758	8.95%	29,302	-13.20%
GRCB	86,023	9.01%	69,946	-18.69%	50,101	-28.37%
QRCB	36,970	5.44%	35,114	-5.02%	31,118	-11.38%
WXRCB	19,206	12.49%	18,526	-3.54%	16,443	-11.24%
JYRCB	19,320	11.84%	18,414	-4.69%	17,811	-3.27%
ZJGRCB	23,488	9.56%	21,233	-9.60%	22,108	4.12%
RRCB	12,915	67.79%	14,247	10.31%	12,797	-10.18%
SZRCB	20,398	-21.55%	18,451	-9.55%	15,866	-14.01%
ZJRCB	2,517	-55.40%	537	-78.67%	370	-31.10%
Rural commercial banks	**592,056**	**4.96%**	**597,642**	**0.94%**	**537,912**	**-9.99%**
All listed banks	**26,361,740**	**8.20%**	**25,150,507**	**-4.59%**	**24,546,252**	**-2.40%**

Source: The data are sourced from the annual reports published by the listed banks that disclosed WMP data for two consecutive years, including data on WMPs for the listed banks that separately disclosed the size of WMPs as at the end of the period, or data on non-principal guaranteed WMPs issued by the group in the structured entity that are not included in the consolidation for the listed banks that did not separately disclose the size of WMPs.
*The data include non-principal guaranteed WMPs included in the consolidation and not included in the consolidation.

In 2023, management fee income from WMPs declined 36.52%, down 29.56 percentage points from 2022. The decrease was mainly due to a lower management fee rate of WMPs adopted by banks in response to the intensified competition in the wealth management market and policies on service fee reduction.

Management fee income from WMPs of large banks reached RMB31.62 billion, a decrease of 33.28% from 2022, down 21.2 percentage points. Large banks saw a decline in management fee income from WMPs across the board, with PSBC recording the largest decline of 62.91%, mainly due to the one-time factor of NAV-based WMP transformation in 2022 and the decline in WMPs. ABC recorded the second largest decline of 40.09%.

National joint-stock banks' management fee income from WMPs totaled RMB28.13 billion, down 37.66% from 2022. Except for CBHB, all joint-stock banks saw a decline in management fee income from WMPs. Specifically, CITIC, HX and SPDB registered declines by 59.38%, 58.22% and 53.95%, respectively - all plummeting by more than 50%; CMB, CMBC and CZB went down by more than 30%; CEB reported the smallest drop of 11.46%.

City commercial banks' management fee income from WMPs totaled RMB12.24 billion, down 42.00% from the prior year. Specifically, BSH reported the largest decrease of 76.46%; BOB, HSB, BTJ, ZYB and BOXA all fell by more than 50%. In contrast, management fee income from WMPs in BQD, WHCCB, SJB, BLZ, LZB and BGS increased, with WHCCB registering the largest growth of 44.13%. Management fee income from WMPs of BJJ held steady from prior year end.

Management fee income from WMPs of rural commercial banks totaled RMB1.36 billion, down 30.04% from 2022. Specifically, CSRCB saw the largest drop of 62.90%, followed by CQRCB's 50.87%, which was mainly affected by the declining return on assets in the market. WXRCB, SZRCB and JTRCB all fell by more than 40%. DRCB was the only bank registering a growth, at 21.48%.

Management fee income from WMPs of the listed banks and subsidiaries (Unit: RMB million)						
	31 December 2021		31 December 2022		31 December 2023	
	Value	Growth	Value	Growth	Value	Growth
CCB*	18,550	19.11%	16,185	-12.75%	10,680	-34.01%
ABC	6,129	-1.83%	5,742	-6.31%	3,440	-40.09%
BOC*	12,280	44.49%	7,705	-37.26%	6,873	-10.80%
BOCOM	11,775	19.47%	10,154	-13.77%	7,808	-23.10%
PSBC	5,170	23.15%	7,606	47.12%	2,821	-62.91%
Large banks	**53,904**	**21.49%**	**47,392**	**-12.08%**	**31,622**	**-33.28%**
CMB	11,998	18.07%	17,037	42.00%	10,394	-38.99%
CITIC	7,485	251.41%	8,523	13.87%	3,462	-59.38%
CEB	3,976	57.90%	4,677	17.63%	4,141	-11.46%
SPDB	6,980	N/A	5,199	-25.52%	2,394	-53.95%
CMBC	9,611	77.82%	4,756	-50.52%	3,141	-33.96%
HX	2,832	0.78%	3,368	18.98%	1,407	-58.22%
CZB*	529	93.07%	676	27.79%	435	-35.65%
CBHB	1,262	-47.72%	889	-29.56%	2,759	210.35%
National joint-stock banks	**44,673**	**46.59%**	**45,125**	**1.01%**	**28,133**	**-37.66%**
BOB	2,840	130.52%	3,827	34.75%	1,287	-66.37%
BONB	2,582	100.93%	1,532	-40.67%	1,255	-18.08%
BSH	5,010	1038.64%	2,196	-56.17%	517	-76.46%
HSB	2,189	53.40%	2,062	-5.80%	656	-68.19%
BHZ	1,903	29.72%	3,182	67.21%	2,111	-33.66%
BOCD*	376	70.91%	449	19.41%	405	-9.80%
BOCS	438	30.75%	507	15.75%	298	-41.22%
BGY	382	-24.95%	355	-7.07%	260	-26.76%
BCQ	567	-28.86%	616	8.64%	348	-43.51%
BSZ	798	68.71%	854	7.02%	685	-19.79%
QLB	476	62.46%	683	43.49%	421	-38.36%
BTJ	887	-41.53%	548	-38.22%	240	-56.20%
BQD	1,265	25.50%	859	-32.09%	930	8.27%
ZYB	588	33.03%	963	63.78%	470	-51.19%
XMB	71	24.56%	78	9.86%	67	-14.10%
BOXA	233	58.50%	234	0.43%	96	-58.97%
WHCCB	202	54.20%	281	39.11%	405	44.13%
JSB	178	19.46%	205	15.17%	204	-0.49%
LZB	226	N/A	211	-6.64%	219	3.79%
BZZ	248	106.67%	235	-5.24%	196	-16.60%
JXB	276	2,409.09%	352	27.54%	270	-23.19%
LZB	56	2,700.00%	102	82.14%	127	24.51%
HRB	158	-50.31%	289	82.91%	232	-19.72%
SJB	392	-46.81%	161	-58.93%	201	24.84%
BJJ	229	2.23%	237	3.49%	237	0.00%
BGS	76	52.00%	82	7.89%	100	21.95%
City commercial banks	**22,646**	**67.43%**	**21,100**	**-6.83%**	**12,237**	**-42.00%**
CQRCB	1,638	-15.44%	462	-71.79%	227	-50.87%
DRCB	360	9.42%	298	-17.22%	362	21.48%
CSRCB	250	2.46%	221	-11.60%	82	-62.90%
GRCB	124	0.81%	239	92.74%	174	-27.20%
QRCB	4	-92.98%	1	-75.00%	147	-12.50%
WXRCB	158	10.49%	196	24.05%	104	-46.94%
ZJGRCB	218	269.49%	155	-28.90%	148	-4.52%
SZRCB	235	91.06%	167	-28.94%	94	-43.71%
ZJRCB	1	-90.91%	3	200.00%	N/A	N/A
JTRCB	4	-80.00%	38	850.00%	22	-41.05%
Rural commercial banks	**2,992**	**-1.77%**	**1,947**	**-34.93%**	**1,360**	**-30.04%**
All listed banks	**124,215**	**35.24%**	**115,564**	**-6.96%**	**73,353**	**-36.52%**

Source: The data are sourced from the annual reports published by the listed banks, including data on the service fee income from wealth management business, fee income from wealth management business or management fee income from non-principal guaranteed WMPs in structured entities.

* CCB, CZB and BOCD did not disclose management fee income from wealth management business separately, which is expressed as income from asset management business; BOC did not disclose fee income from wealth management business separately, which is expressed as income from fee, custody fee and management fee related to structured entities (including WMPs, funds and asset management plans).

** The growth of management fee income is calculated based on amounts in RMB million. SPDB and BLZ did not disclose management fee income in 2021, and hence, the impact was excluded when calculating the growth in 2022; ZJRCB did not disclose 2023 data, and the impact of data for 2022 was excluded when calculating the growth for rural commercial banks in 2023.

Decrease in wealth management companies' net profit

25.77 percentage points

In 2023, CZB was approved to establish a dedicated wealth management company, and BNP Paribas ABC Wealth Management was also approved to operate. As at 31 December 2023, there were 31 wealth management companies in operation, including 6 wealth management companies of large banks, 11 of national joint-stock banks, 8 of city merchant banks, 1 of rural merchant banks, and 5 joint venture wealth management companies. The wealth management companies of large banks and national joint-stock banks remained the main market players, gaining a high proportion in total issuance.

22 wealth management companies that disclosed data achieved net profit of RMB25.11 billion in 2023. 21 wealth management companies that disclosed data in both 2023 and 2022 achieved net profit of RMB24.91 billion in 2023, decreasing by RMB8.65 billion, or 25.77%, from 2022. The decline in net profit came on the heels of fee rate cuts by wealth management subsidiaries to adapt to competitions.

Wealth management subsidiaries	Opening date	Registered capital	2022			2023		
			Total assets	Net assets	Net profit	Total assets	Net assets	Net profit
CCB Wealth Management Co.	2019/5	150	21,087	20,289	2,840	22,397	19,454	1,323
ICBC Wealth Management Co.	2019/5	160	19,960	18,910	1,236	20,514	20,257	1,325
Bank of Communications Wealth Management Co.	2019/6	80	11,458	11,099	1,188	12,770	12,369	1,240
BOC Wealth Management Co.	2019/7	100	15,720	14,935	1,854	17,269	16,614	1,628
ABC Wealth Management Co.	2019/7	120	18,799	18,580	3,523	20,818	20,183	1,597
Everbright Wealth Management Co.	2019/9	50	8,861	8,249	1,879	10,611	10,023	1,764
China Merchants Bank Wealth Management Co.	2019/11	56	18,094	16,935	3,593	21,062	20,135	3,190
Industrial Bank Wealth Management Co.	2019/12	50	12,794	12,272	3,111	15,035	14,621	2,582
PSBC Wealth Management Co.	2019/12	80	12,263	11,725	1,271	13,010	12,569	841
Bank of Hangzhou Wealth Management Co.	2019/12	10	3,666	3,103	1,362	4,361	3,986	883
Bank of Ningbo Wealth Management Co.	2019/12	15	3,478	3,148	914	4,193	3,836	668
Huishang Bank Wealth Management Co.	2020/4	20	4,354	4,010	Undisclosed	4,453	4,310	Undisclosed
CQRCB Wealth Management Co.	2020/6	20	2,796	2,717	358	2,985	2,910	170
CITIC Wealth Management Co.	2020/7	50	10,340	9,449	2,048	12,292	11,711	2,255
Bank of Nanjing Wealth Management Co.	2020/8	20	4,246	3,793	813	4,799	4,319	526
BJS Wealth Management Co.	2020/8	20	3,739	Undisclosed	Undisclosed	4,591	4,036	Undisclosed
PAB Wealth Management Co.	2020/8	50	9,625	8,660	1,882	11,393	10,547	1,885
HX Wealth Management Co.	2020/9	30	4,370	4,208	875	4,915	4,726	505
BQD Wealth Management Co.	2020/9	10	1,637	1,555	345	1,882	1,705	299
SPDB Wealth Management Co.	2022/1	50	Undisclosed	Undisclosed	1,860	Undisclosed	Undisclosed	449
BSH Wealth Management Co.	2022/3	30	3,917	3,790	790	4,241	4,105	315
CMBC Wealth Management Co.	2022/6	50	6,638	6,038	1,038	7,585	7,189	1,152
CBHB Wealth Management Co.	2022/9	20	Not in operation	Not in operation	Not in operation	2,358	2,218	198
BOB Wealth Management Co.	2022/10	20	2,114	Undisclosed	778	2,473	2,321	312
Total			**199,956**	**183,465**	**33,558**	**226,007**	**214,144**	**25,107**

Source: Annual reports published by the listed banks.
*Registered capital is presented in RMB100 million, and other items are presented in RMB million.
**The companies are listed in sequence of the opening date.

In the long run, wealth management companies should follow market rules, seize opportunities, enhance internal investment and research capabilities, and build diversified product systems that maximize the interests of customers. They should be committed to the strategy of delivering financial services for the real economy, and try to make substantial progress by harnessing internal strengths and leveraging external resources. Moreover, the companies should secure new advances in technology finance, green finance, inclusive finance, pension finance and digital finance (the "Five Finance Enablers").

Aligning capabilities to achieve a stable portfolio return. In the face of a complex and volatile investment environment and lower-risk appetites of investors, wealth management companies should actively acquire talents, put effective talent development program in place, and improve capabilities of tracking the dynamics of financial market and macroeconomy. They should also reasonably allocate investment of WMPs, stabilize the investment income of products to meet customers' immediate needs for stable returns.

Building diversified product systems. At present, the WMPs issued are mainly fixed-return products. As the investors grow and have preference for wealth and value creation, wealth management companies, while ensuring lower volatility, should offer a variety of products to meet the needs of the customers with higher-risk appetites. Companies should also adopt multiple strategies for underlying assets of WMPs to offer more products that serve the needs of both real economy and customers.

Resolving the issue of lack of long-term investment with the "Five Finance Enablers". Currently, WMP investors mainly hold fixed-return WMPs with relatively short maturities, which leads to a shortage of long-term funds in the wealth management market. With the introduction of the Five Finance Enablers, personal pension gains a positive growth momentum one year after the rollout of the personal pension scheme. How companies diversify less volatile WMPs to replace existing savings deposit products preferred by personal pension investors will become the key to solving the issue of lacking long-term funds and to optimizing asset allocation in wealth management business.

04

Implementing ESG practice to balance social and commercial value

In 2023, the listed banks were actively engaged in ESG practice and responsible banking to promote the development of green finance and inclusive finance. While pursuing commercial value, the listed banks were committed to creating social value by embedding the kindness into financial services. In addition, the listed banks continued to improve governance and management capabilities to meet the evolving ESG regulations and standards.

Improving green finance policies and standards

At 2023 Two Sessions, nearly 100 proposals were raised on achieving carbon dioxide peaking and carbon neutrality goals, such as improving carbon sink capacity, refining carbon market mechanism, accelerating the formulation of laws, regulations and standards, promoting the development of low-carbon industries such as energy storage, photovoltaics, wind power and hydrogen, and supporting the transformation of carbon-intensive industries.

The 2023 Government Work Report reaffirmed the importance of pursuing green and low-carbon development, including steadily building up the capacity for sustainable development, taking concrete steps to ensure and improve the people's wellbeing, and accelerating the development of social programs.

Summary of key national and local green finance policies in 2023

Release date	Document	Authority	Content
March 2024	Guiding Opinions on Further Strengthening Financial Support for Green and Low-carbon Development	PBOC, NDRC, MIIT, Ministry of Finance (MOF), Ministry of Ecology and Environment (MEE), NFRA, China Securities Regulatory Commission (CSRC)	The Guiding Opinions aim to promote carbon accounting in the financial system and improve the green finance standard system; motivate financial institutions and financed entities to disclose environmental information and improve the quality of information disclosure and related assessment; step up carbon market construction, green credit support, capital support for green and low-carbon development, green insurance and services, and engagement in the green finance market. The Guiding Opinions also propose to drive the improvement of laws and regulations and the green finance assessment and evaluation mechanisms of financial institutions, increase monetary policy tools, support the green and low-carbon transformation of high-emission industries and projects, deepen the reform of regional green finance, and serve the green development initiatives under major national and regional strategies; improve prudent management and risk prevention related to climate change; enhance international cooperation; strengthen organizational support.
January 2024	Guiding Opinions on the Integrated Development of Inclusive Finance and Green Finance in Fujian Province	Fujian Regulatory Bureau of the NFRA	According to the Guiding Opinions, green inclusive finance refers to appropriate and effective financial services provided, under principles of equitable access and business sustainability, at an affordable price for small- and micro-sized enterprises, farmers and new citizens in their economic activities to support environmental improvement, cope with climate change, and save and efficiently use resources, guiding them to practice green and low-carbon production and lifestyle.
December 2023	Shanghai Transition Finance Catalog (Trial)	Shanghai Municipal Financial Regulatory Bureau, Shanghai Branch of the PBOC, Shanghai Regulatory Bureau of the NFRA, Shanghai Municipal Development and Reform Commission	The Catalog highlights innovation and uniqueness as a try to formulate the "Shanghai solution" of transition finance. It mainly includes a positive list of industries, approaches to carbon reduction and more than 200 technological low-carbon transition methods regarding energy efficiency improvement, energy substitution, management optimization and carbon capture, utilization and storage. The Catalog also includes basic principles, under which transition entities that adopt carbon reduction approaches and technologies not included in the list but meet certain conditions are allowed to apply for financial support for transition. The Catalog proposes a tiered information disclosure system by which entities select an appropriate disclosure level at their own discretion or through consultation with financial institutions considering size, profitability, disclosure capacity and other factors. It supports financial institutions to provide differentiated and variable financing services.
December 2023	Circular on Supporting Central Enterprises to Issue Green Bonds	CSRC, State-owned Assets Supervision and Administration Commission (SASAC) of the State Council	Firstly, improve the financing support with green bonds for industries such as energy conservation and carbon reduction, environmental protection, resource recycling and clean energy; secondly, support central enterprises to achieve green and low-carbon transition and high-quality development through rational bond financing and accelerate their green and low-carbon production practice and green technology innovation, setting an example for other enterprises; thirdly, give full play to the leading role of central enterprises, encouraging investment in key areas of green development, and support central enterprises to carry out infrastructure REITs pilots; fourthly, strengthen organizational support for implementation, with the CSRC and SASAC working together to help central enterprises better leverage financing with green bonds and improve the capital market's financing service for green areas.
December 2023	Guidelines on ESG Disclosure for Insurance Institutions	Insurance Association of China	The Guidelines are the first industry self-regulation document focusing on ESG disclosure of China's insurance industry. Insurance institutions are encouraged to implement the Guidelines based on their actual conditions.
December 2023	Guidelines on Transition Finance for the Iron and Steel Industry in Hebei Province (2023-2024 Edition)	Seven departments including Hebei Branch of the PBOC, Hebei Development and Reform Commission and Hebei Regulatory Bureau of the NFRA	First, a catalog of 176 technologies supporting transition finance for the iron and steel industry in Hebei Province and an application manual; second, an outline for preparation of transition plans of iron and steel enterprises in Hebei Province, which covers eight aspects including strategy and goal, carbon reduction plan, supporting measures and information disclosure; third, the conditions required for enterprises to obtain financial support for transition, e.g., a comprehensive transition plan and an investment plan regarding carbon reduction, and willingness to disclose environmental information; fourth, the process of developing transition finance, including formulation of a comprehensive transition plan, evaluation of the transition plan, provision of support for transition finance, and continuous information disclosure.
November 2023	Guidelines on Ongoing Information Disclosure During the Life of Green Bonds	Green Bond Standards Committee	The Guidelines are a reference text for domestic issuers on annual information disclosure of green bonds. Quarterly or semi-annual information disclosure documents can be referred to and executed. The Guidelines provide an "1+1+1" farmwork that contains "one requirement", "one template" and "one system", with a focus on core contents in the three aspects.
October 2023	Notice on Promoting Green Finance Support for Green Urban-Rural Development	Department of Housing and Urban-Rural Development of Gansu Province, Gansu Branch of the PBOC, Gansu Regulatory Bureau of the NFRA, Gansu Provincial Financial Regulatory Bureau	The scope, supporting measures, application conditions and procedures, and supervision and management measures of green finance to support green urban-rural development projects.
September 2023	Guidelines on the Development of Green Finance Systems and Mechanisms for the Banking and Insurance Industries in Beijing (Trial)	Beijing Regulatory Bureau of the NFRA, Beijing Branch of the PBOC	Institutions within the jurisdiction may establish a sound management system and coordination mechanism for green finance as needed, and, in light of their actual situation, set up and develop differentiated green finance institutions in the forefront in terms of business scale, service capability and risk management, to guide and facilitate green finance development. The Beijing Regulatory Bureau of the NFRA and Beijing Branch of the PBOC have included progress in construction of green finance systems and mechanisms in the regulatory evaluation and green finance evaluation of institutions within their jurisdiction, and provided incentives to leading institutions.
June 2023	Notice on Promoting Green Finance and Supporting High-quality Development of Beijing, Tianjin and Hebei	Hebei Banking and Insurance Regulatory Bureau, Beijing Banking and Insurance Regulatory Bureau, Tianjin Banking and Insurance Regulatory Bureau	Financial regulatory authorities and banking and insurance institutions in Beijing, Tianjin and Hebei are required to plan for the cooperation on green finance in terms of industrial restructuring, pollution control, ecological protection and climate change response, to achieve coordinated development of the three regions. By the end of the 14th Five-Year Plan period, banking and insurance institutions in Beijing, Tianjin and Hebei should basically have a governance mechanism, organizational structure, internal control system and business system in place that are aligned with carbon dioxide peaking and carbon neutrality goals, and significantly improve green finance services. From now on to 2030, it is expected that the average annual growth of green credit in the banking industry in the three regions is not slower than that of total loans, and green insurance, green trust and other green businesses grow steadily.
April 2023	Notice on Developing Green Finance to Support the Coordinated Development of Green Buildings	Yunnan Banking and Insurance Regulatory Bureau, Yunnan Provincial Department of Housing and Urban-Rural Development, Kunming Central Branch of the PBOC, Yunnan Provincial Financial Regulatory Bureau	The Notice defines the scope, process, pre-evaluation requirements and seven measures of green finance supporting coordinated development of green buildings, with an aim to explore and innovate the supporting system and mechanism, promote growth of green credit in the construction industry, and enhance insurance for green buildings, thus formulating a virtuous cycle of green finance supporting green and low-carbon development of the construction industry.
January 2023	Action Plan for Promoting Green Finance Development to Serve the Carbon Dioxide Peaking and Carbon Neutrality Goals in the Banking and Insurance Industries in Shanghai during the 14th Five-Year Plan Period	Eight departments including Shanghai Banking and Insurance Regulatory Bureau, Shanghai Municipal Development and Reform Commission, Shanghai Municipal Bureau of Ecology and Environment, and Shanghai Municipal Financial Regulatory Bureau	The Action Plan proposes to leverage Shanghai's advantages as a financial hub of market resources, cultivate high-quality green finance development institutions, strengthen regulatory guidance and standards, and deepen green finance reform and innovation, to effectively improve green finance services; promote international cooperation in green finance, step up support for green, low-carbon and circular economy, and drive radical green and low-carbon transition of the economy and society; build Shanghai into a "zero-waste city" during the 14th Five-Year Plan period, and an international financial center to provide high-quality financial services for the carbon dioxide peaking and carbon neutrality goals.

Rapid growth in green loan balance

In 2023, the listed banks maintained rapid growth in green loans. The 49 listed banks that disclosed the data on green loans had a total balance of RMB22,893.1 billion as at 2023 year-end, increasing by 40.29% from 2022 year-end. The green loans of six large banks totaled RMB17,898.2 billion, increasing by 42.67% year-on-year, down 1.87 percentage points over the previous year. Specifically, ICBC recorded the largest balance of RMB5.4 trillion, while BOC had the highest growth rate of 56.34%. By the end of 2023, the green loans of 10 national joint-stock banks amounted to RMB3,462.1 billion, increasing by 30.01% year-on-year, down 12.58 percentage points from 2022. Particularly, IB recorded the largest balance of RMB809 billion, while CEB had the highest growth rate at 57.44%. As at the end of 2023, 24 city commercial banks held a total balance of RMB1,355.8 billion in green loans, increasing by 38.71% from 2022. The green loan balance of nine rural commercial banks as at 2023 year-end was RMB177 billion, increasing by 33.72% year-on-year.

According to the Statistics Report on Loan Issuance by Financial Institutions in 2023 issued by the PBOC, at the end of 2023, the balance of RMB and foreign currency green loans totaled RMB30.08 trillion, a year-on-year increase of RMB8.48 trillion, or 36.5% (down 2 percentage points from the end of 2022), higher than the overall growth rate of loans (26.4 percentage points). The loans issued to the projects generating both direct and indirect carbon reduction benefits amounted to RMB10.43 trillion and RMB9.81 trillion, respectively, accumulatively accounting for 67.3% of total green loans.

By purpose, the green loan balance for infrastructure upgrade towards eco-friendliness, clean energy, and energy conservation and environmental protection were RMB13.09 trillion, RMB7.87 trillion and RMB4.21 trillion, respectively, a year-on-year increase of RMB3.38 trillion, RMB2.33 trillion and RMB1.23 trillion, or 33.2%, 38.5% and 36.5%. By industry, the green loan balance for the electricity, heat, gas and water production and supply sector was RMB7.32 trillion, increasing by RMB1.82 trillion, or 30.3%, year-on-year; the green loan balance for the transportation, storage and postal sector was RMB5.31 trillion, increasing by RMB776.7 billion, or 15.9%, year-on-year.

Green loan balance and growth rate of the listed banks (Unit: RMB100 million)						
	31 December 2021		31 December 2022		31 December 2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC****	24,806	34.40%	39,785	60.38%	54,000	35.73%
CCB	19,631	35.61%	27,501	40.09%	38,829	41.19%
ABC	19,778	30.60%	26,975	36.40%	40,487	50.10%
BOC	14,086	57.00%	19,872	41.08%	31,067	56.34%
BOCOM**	4,768	31.37%	6,354	33.28%	8,220	29.37%
PSBC	3,723	32.52%	4,965	33.38%	6,379	28.46%
Large banks	**86,792**	**38.46%**	**125,452**	**44.54%**	**178,982**	**42.67%**
CMB	2,638	26.49%	3,554	34.69%	4,478	26.00%
IB	4,539	42.11%	6,371	40.34%	8,090	26.99%
CITIC**	2,001	140.75%	3,341	66.97%	4,590	37.40%
PAB	691	204.60%	1,098	58.80%	1,396	27.20%
CEB	1,246	20.12%	1,993	59.95%	3,138	57.44%
SPDB**	3,113	18.46%	4,271	37.20%	5,246	22.82%
CMBC	1,073	103.76%	1,799	67.65%	2,642	46.87%
HX	2,085	15.79%	2,470	18.49%	2,693	9.00%
CZB	1,042	32.75%	1,459	39.98%	2,034	39.41%
CBHB	247	24.33%	273	10.46%	313	14.48%
National joint-stock banks	**18,675**	**40.27%**	**26,629**	**42.59%**	**34,621**	**30.01%**
BJS	1,272	29.27%	2,015	58.41%	2,870	42.50%
BOB	477	82.10%	1,103	131.03%	1,560	41.47%
BONB	158	79.16%	237	49.74%	386	62.87%
BSH	302	180.07%	654	116.38%	1,034	58.12%
BONJ	988	46.39%	1,330	34.61%	1,770	33.14%
HSB	322	53.86%	546	69.59%	824	50.99%
BHZ	419	33.19%	540	28.78%	682	26.22%
BOCD	107	141.89%	263	145.11%	405	53.96%
BOCS	254	36.42%	326	28.33%	429	31.60%
BGY	227	17.41%	282	24.03%	313	11.08%
BCQ	191	32.64%	276	44.50%	361	30.60%
BSZ	113	45.00%	179	58.12%	302	68.66%
QLB	129	34.42%	168	30.33%	242	44.23%
BTJ	121	29.38%	164	36.00%	244	51.25%
BQD	191	25.00%	209	9.68%	261	24.90%
BGZ	350	53.03%	466	33.34%	522	11.93%
ZYB***	144	未披露	271	88.40%	337	24.16%
XMB**	18	116.73%	41	126.06%	71	72.14%
LZB***	49	未披露	94	93.34%	128	35.30%
BZZ	21	66.61%	29	35.52%	41	43.24%
JXB	170	46.05%	227	33.46%	312	37.46%
HRB	2	-92.31%	31	1,444.50%	31	0.00%
SJB	75	0.00%	64	-14.67%	98	51.92%
BJJ**	176	49.72%	259	47.00%	335	29.34%
City commercial banks	**6,276**	**45.95%**	**9,774**	**55.74%**	**13,558**	**38.71%**
SRCB	198	201.00%	436	120.32%	614	41.00%
CQRCB	367	49.24%	487	32.87%	620	27.20%
CSRCB	16	23.00%	23	20.00%	26	15.00%
DRCB***	73	19.67%	99	35.30%	130	31.48%
QRCB	57	83.87%	72	27.25%	108	50.00%
WXRCB	29	25.92%	39	35.42%	70	79.01%
ZJGRCB	11	133.92%	22	110.52%	35	59.52%
SZRCB***	29	34.16%	37	28.34%	45	21.73%
ZJRCB	95	34.12%	109	14.82%	122	12.26%
Rural commercial banks	**875**	**79.67%**	**1,324**	**51.31%**	**1,770**	**33.72%**
All listed banks	**112,618**	**39.41%**	**163,179**	**44.90%**	**228,931**	**40.29%**

* Data disclosed in the listed bank's annual reports and/or social responsibility reports, ESG reports or environmental information disclosure reports, where the amounts are rounded to RMB100 million, and the growth rates are rounded to two decimal places. The names of indicators disclosed by the banks may be different, and those in the banks' public reports shall prevail.

** The indicator of BOCOM, XMB and BJJ for 2022 and 2023 is the special green loans defined by the PBOC. The indicator of SPDB and CITIC for 2021, 2022 and 2023 is the special green loans defined by the PBOC.

*** ZYB, BLZ, DRCB and SZRCB's green credit balances as at 31 December 2021 are calculated based on their respective credit balances as at 31 December 2022 and 2022 growth rates.

**** The green loan balance disclosed by ICBC in its 2023 annual report is nearly RMB5.4 trillion, which is rounded for calculation and analysis.

Expanding innovation scenarios to grow sustainable bonds rapidly

As China's green finance market continues to grow, green bonds have become the second largest carrier of the green finance system. The listed banks are actively working on the liability side to support fundamental transition to green economy and green society by issuing, underwriting and investing in green bonds. According to Wind data, China issued 802 green bonds in 2023, with a total issuance value of RMB1,118.05 billion, decreasing by 4.49% from RMB1,170.57 billion in 811 bonds in the prior year. Particularly, as at the end of 2023, ICBC issued foreign green finance bonds of USD19.9 billion and domestic green finance bonds of RMB80 billion.

01

Expanding product innovation scenarios and increasing varieties of carbon neutrality bonds and blue bonds. According to China Green Bond Principles, green bonds contain two sub-categories, namely blue bond and carbon neutrality bond. In 2023, ICBC issued the first global multi-currency green bond themed on "carbon neutrality", and the first carbon neutrality bond among domestic commercial banks. In 2023, the bank issued foreign green bonds of USD4.23 billion and domestic green bonds of RMB60 billion. CMB issued the world's first floating-rate blue bond overseas, amounting to USD400 million. The proceeds raised are used to support sustainable water resources management and offshore wind power projects, contributing to water ecological protection, marine renewable energy and marine economic development. CEB successfully issued the first tranche of asset-backed green notes (carbon neutrality bonds) of a municipal transportation holding group in 2023, amounting to RMB300 million. CITIC underwrote RMB1.55 billion of carbon neutrality bonds. BOCOM led the underwriting of green bonds (including carbon neutrality bonds) totaling RMB8.39 billion, increasing by 17.1% from 2022. CZB assisted in the issuance of five green bonds and blue bonds, an amount of RMB3.15 billion in total financing. The listed banks incorporated ESG concepts in bond investments. For example, China Merchants Bank Wealth Management Co., one of CMB's subsidiaries, actively practiced ESG investment by prioritizing green finance products such as green finance bonds, green corporate bonds, green debt financing instruments and asset-backed green securities; ICBC Wealth Management Co., one of ICBC's subsidiaries, seized the strategic opportunities to press ahead with green finance development, actively contributed to the green bond market, and channeled various resource elements to green and low-carbon development and circular economy.

02

Exploring transformation finance and just transformation regime, and promoting transformation bonds, sustainability-linked bonds and other featured products. To meet the demand for funding the transition of traditional industries towards sustainable development, China's transformation-related bond market has been experiencing accelerating development. In 2023, ABC underwrote 26 green, sustainability and sustainability-linked bonds, amounting to approximately USD8.4 billion; CITIC underwrote RMB1.05 billion of sustainability-linked bonds, including the first panda bond in the market.

Increasing inclusive finance support for SMEs

The 2023 Government Work Report pointed out that "we should boost the development of technology finance, green finance, inclusive finance, pension finance, and digital finance. To better meet the fund-raising needs of micro-, small-, and medium-sized enterprises (MSMEs), supporting measures such as credit enhancement, risk sharing, and information sharing should be improved." Inclusive finance support for SMEs will continue to be the banks' top priority in serving the real economy. The Statistics Report on Loan Issuance by Financial Institutions in 2023 issued by the PBOC states that "at the end of 2023, the balance of inclusive loans to SMEs totaled RMB29.4 trillion, a year-on-year increase of 23.5% (down 0.3 percentage point from the growth rate in 2022), or RMB5.61 trillion (RMB1.03 trillion higher than the growth in 2022). The balance of loans for farmers' production and operation stood at RMB9.24 trillion, increasing by 18% year-on-year. Guaranteed loans for start-ups amounted to RMB281.7 billion, increasing by 5.2% year-on-year. The balance of student loans was RMB218.4 billion, increasing by 22.4% year-on-year. Loans for people lifted out of poverty amounted to RMB1.16 trillion, increasing by 12% year-on-year, and a total of RMB958.6 billion of loans were granted."

In 2023, the listed banks continued to increase credit supply for MSMEs. For the 51 listed banks that disclosed inclusive credit loans, the balance totaled RMB18,188 billion as at the year-end, increasing by 28.40% from the prior year-end. As at 31 December 2023, the balance of inclusive loans of large banks reached RMB11,537.6 billion, increasing by 35.15% from the prior year-end. Particularly, CCB reported the largest balance of inclusive finance loans of RMB3,042.6 billion, and ICBC reported the fastest year-on-year growth of inclusive loans to SMEs, which stood at 43.70%. The balance of inclusive loans of national joint-stock banks was RMB4,382.9 billion, increasing by 15.59% from the prior year-end, with CMB reporting the largest balance of RMB804.3 billion and CEB presenting the fastest year-on-year growth of 24.18% in inclusive loans to SMEs. The balance of inclusive loans of city commercial banks was RMB1,922.7 billion, increasing by 23.86% from the prior year-end, with BOB recording the largest balance of RMB231.5 billion in inclusive finance loans, and HRB presenting the fastest year-on-year growth of 51.61% in inclusive loans to SMEs. The balance of inclusive loans of rural commercial banks was RMB344.9 billion, increasing by 21.57% from the prior year-end, with CQRCB recording the largest balance of RMB128.5 billion in inclusive finance loans, and JYRCB presenting the fastest year-on-year growth of 74.89% in inclusive loans to SMEs.

Inclusive finance loan balance and growth rate of the listed banks (Unit: RMB100 million)

			31 December 2022		31 December 2023	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
ICBC	10,990	52.50%	15,503	41.10%	22,278	43.70%
CCB**	18,737	31.60%	23,514	25.49%	30,426	29.40%
ABC	13,220	38.80%	17,690	33.80%	24,583	39.00%
BOC	8,815	53.15%	12,283	39.34%	17,585	43.17%
BOCOM	3,388	49.23%	4,562	34.66%	5,903	29.38%
PSBC	9,606	19.89%	11,819	23.04%	14,600	23.25%
Large banks	**64,756**	**34.24%**	**85,371**	**31.83%**	**115,376**	**35.15%**
CMB	6,011	18.22%	6,783	12.85%	8,043	18.56%
IB	2,987	46.96%	4,042	35.27%	5,010	23.95%
CITIC	3,669	23.03%	4,460	21.57%	5,451	22.22%
PAB	3,822	35.70%	5,282	38.20%	5,721	8.30%
CEB	2,370	26.72%	3,053	28.82%	3,791	24.18%
SPDB	3,197	17.98%	3,766	17.80%	4,224	12.15%
CMBC	5,048	12.59%	5,491	8.76%	6,123	11.51%
HX	1,380	23.69%	1,609	16.56%	1,750	8.77%
CZB	2,366	17.06%	2,773	17.22%	3,201	15.45%
CBHB	595	62.91%	657	10.51%	515	-21.66%
National joint-stock banks	**31,445**	**20.62%**	**37,916**	**20.58%**	**43,829**	**15.59%**
BJS	1,121	31.73%	1,385	29.30%	1,735	25.27%
BOB**	1,261	35.70%	1,721	36.49%	2,315	34.50%
BONB	1,222	35.00%	1,538	25.36%	1,858	20.81%
BSH**	722	64.55%	1,071	48.35%	1,463	36.40%
BONJ	656	30.42%	906	38.10%	1,160	28.01%
HSB	829	22.97%	1,046	26.12%	1,305	24.83%
BHZ	917	20.86%	1,123	22.40%	1,335	18.89%
BOCS	388	36.82%	494	27.46%	583	17.87%
BGY	267	10.95%	320	20.05%	366	14.21%
BCQ	398	16.37%	436	9.55%	502	15.14%
BSZ	433	19.78%	527	21.69%	593	12.52%
QLB	371	35.67%	486	30.89%	655	19.37%
BTJ**	364	42.75%	296	-18.78%	373	26.01%
BQD	220	21.14%	271	23.26%	338	24.78%
BGZ	279	39.98%	379	36.04%	474	25.02%
ZYB	444	20.26%	762	71.61%	838	9.95%
XMB	444	29.20%	610	37.37%	717	17.51%
BOXA	48	-15.51%	59	23.33%	73	23.73%
WHCCB	208	19.77%	240	15.44%	297	23.89%
JSB	57	27.72%	75	31.11%	98	30.51%
LZB	107	Undisclosed	114	6.55%	126	10.78%
BZZ	389	23.36%	443	13.72%	500	12.80%
JXB	235	33.61%	354	50.51%	461	30.39%
LZB	89	13.49%	103	15.80%	116	6.19%
BJJ	330	84.62%	458	38.78%	539	17.77%
BGS	103	0.35%	120	16.29%	124	3.33%
HRB	420	6.87%	186	-55.71%	282	51.61%
City commercial banks	**12,322**	**25.06%**	**15,523**	**25.98%**	**19,227**	**23.86%**
SRCB	553	36.00%	641	16.01%	779	21.53%
CQRCB	962	28.70%	1,130	17.54%	1,285	13.69%
DRCB	266	Undisclosed	330	23.96%	405	22.75%
GRCB**	67	Undisclosed	84	24.66%	105	25.12%
WRCB	149	38.45%	190	27.41%	238	25.15%
JYRCB**	151	Undisclosed	178	18.00%	311	74.89%
ZJGRCB**	193	Undisclosed	220	13.94%	Undisclosed	Undisclosed
ZJRCB	249	48.04%	284	14.02%	326	14.75%
Rural commercial banks	**2,590**	**8.29%**	**3,057**	**18.03%**	**3,449**	**21.57%**
All listed banks	**111,113**	**28.81%**	**141,867**	**27.68%**	**181,880**	**28.40%**

* Data disclosed in the listed bank's annual reports or social responsibility reports/ESG reports, where the amounts are rounded to RMB100 million and the growth rates are rounded to two decimal places. The names of indicators disclosed by the banks may be different, and those in the banks' public reports shall prevail.

** CCB, BOB and BSH reported the balance of inclusive loans, and BTJ, GRCB, ZJGRCB and JYRCB reported the balance of inclusive loans related to San Nong, and rural people, while the other banks reported the balance of inclusive loans to SMEs.

*** Data of ZJGRCB in 2022 are excluded from the calculation of 2023 growth rate.

Earlier in 2024, the NFRA issued the Notice on Developing Inclusive Credit in 2024 (Jin Ban Fa [2024] No. 26, hereinafter referred to as the "Notice"), to guide financial institutions to provide high-quality financial services for SMEs, agriculture-related business entities and major groups receiving assistance. The Notice clarified the overall requirements for developing inclusive credit in 2024, including ensuring sufficient inclusive credit supply, stabilizing prices and optimizing the structure, to better meet the diversified financial needs of SMEs, agriculture-related business entities and major groups receiving assistance. Specifically, in 2024, financial institutions should render adequate credit support at stable prices and optimize supply structure to meet financing demands in key areas, facilitate the high-quality development of SMEs, and contribute to the all-around rural revitalization by strengthening credit support, especially for key counties for national rural revitalization, the development of featured industries in areas subject to poverty alleviation, and relocation sites for poverty alleviation, so as to maintain increase in income of people lifted out of poverty and ensure no large-scale return to poverty. In addition, the Notice highlights the importance of effective coordination between authorities and financial institutions in the development of inclusive finance.

Boosting the development of inclusive finance is crucial for the high-quality development of China's economy, as it is conducive to the sustainable and balanced development of the financial industry, and social fairness and harmony. Since 2023, the listed banks have increased the supply of inclusive credit and availability of financial services, ramping up the coverage of inclusive finance. Specifically, ABC optimized its inclusive credit offerings, and expanded the inclusive finance service system with more than 10,000 outlets for promoting inclusive loans to SMEs and nearly 300 sub-branches dedicated to serving SMEs, demonstrating stronger inclusive finance service capabilities. Boasting nearly 40,000 outlets covering urban and rural areas, PSBC is a forerunner in inclusive finance in China, providing innovative financial services for San Nong, urban and rural residents and small- and medium-sized enterprises.

Expediting the construction of carbon accounting system

On 27 March 2024, the PBOC, together with the NDRC, MIIT, MOF, MEE, NFRA and CSRC, issued the Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development (hereinafter referred to as the "Guiding Opinions"), stating the purposes in the next five years to preliminarily establish a world-class financial support system for green and low-carbon development; continuously improve financial infrastructure, environmental information disclosure, risk management, financial offerings and markets, supporting policy systems and green finance standard systems; press ahead with the regional reform of green finance in an orderly manner; seek closer international cooperation; and channel more resources to areas such as green and low-carbon development. By 2035, more economic and financial green and low-carbon policies are expected to roll out in a coordinated and efficient manner, seeing a more mature system of standards and policies that support green and low-carbon development through financial services, as well as betting functioning of resource allocation, risk management and pricing. The Guiding Opinions are set to enable the financial industry to gradually adopt carbon accounting, establish and improve carbon accounting methods and databases for financial institutions, introduce unified carbon accounting standards for financial institutions and financial businesses, and encourage financial institutions and enterprises to apply technologies such as big data and FinTech to carbon accounting.

As disclosure indicators and regulations continuously improve, banks are expected to face multiple challenges in sustainability disclosure, such as lack of key data and information, as the availability of carbon accounting methods and data sources are important prerequisites for such disclosures. For them, most of the carbon emissions generate from financial asset trading, lending and investment activities, so their Scope 3 emissions are far higher than Scope 1 and Scope 2 emissions. Thus, the carbon accounting data of listed banks largely rely on disclosures of invested and borrowing entities. Constraints also include low availability of data reported by non-emission control enterprises and poor quality of disclosed data. In addition, data are less comparable among banks as financed emissions require complex data, measurement and monitoring processes, and many methods, tools and strategies are subject to constant updates. All in all, Chinese banking institutions face difficulties in carbon accounting, especially in quantitative measurement of Scope 3 emissions.

The disclosure standards and criteria are another issue. Although regulators have issued guidelines and implementation rules, unified carbon accounting methods are not yet in place, and banks tend to adopt discretionary approaches in sustainability disclosures. They may apply different accounting standards and define different accounting scopes, resulting in inaccurate and irregular disclosure and compromising users' accessibility to useful information.

The listed banks should establish a carbon accounting system as soon as practicable, considering the essential role of carbon accounting in carbon peaking and carbon neutrality initiatives. This is also aligned with the global trend of achieving disclosure standards on comparable sustainability information. The listed banks can take actions to build the sustainability disclosure mechanism and carbon accounting system from the following to aspects.

01

Establishing an internal control system for sustainability disclosure based on business conditions and industry characteristics. For example, the listed banks can set up dedicated carbon accounting management duties and functions, bring in professionals in carbon emission management and accounting, invite industry experts to provide all-round and diversified trainings, formulate training plans to cultivate talent in carbon accounting, and improve capabilities in carbon finance work; design the processes to collect, process and disclose sustainability information, define the responsibilities of each function, develop investment and financing management systems, and improve essential policies; establish a green finance assessment and evaluation system, incorporate the assessment of "carbon peaking and carbon neutrality" into credit rating and eligibility criteria for projects, clarify FTP subsidies for green finance and RWAs and credit lines for green loans, implement the requirements on differentiated assessment and tolerance for NPLs for green credit, and raise the weight of low-carbon business among the performance assessment indicators; involve internal auditors to execute audit and supervision and to assist in building internal control processes.

02

Building a data management system for carbon accounting empowered by digitally intelligent tools. For example, the listed banks can automate the collection and classification of data on carbon emissions from targeted investment and financing projects, develop requirements for structured and standardized basic data entry, and improve the quality of carbon accounting data sources; establish automatic calculation of carbon accounting indicators such as carbon intensity, implement data tracking and alert system, differentiate the management of various asset classes, and promote the transformation to carbon peaking and carbon neutrality based on investment decision-making and benefit evaluation. Setting out from pre-lending evaluation on the underlying assets, the listed banks can incorporate the carbon emission data of underlying assets, including carbon emissions, energy activity level, and economic activity level, into the existing information collection system of credit business, to improve statistical ledgers, ensuring the data are compliant with applicable accounting requirements, and echo the trend of performing carbon accounting as a part of investment and financing businesses in a dynamic and sustainable manner under the goal of carbon neutrality.

Some listed banks have begun to build their carbon accounting systems. For example, BOC actively supported the transformation and upgrading of carbon-intensive industries, tapped into a carbon accounting methodology suitable for its asset portfolio, and completed pilot accounting of the carbon footprint of its asset portfolio exposure to carbon-intensive industries; with reference to the Global GHG Accounting and Reporting Standard for the Financial Industry issued by the Partnership for Carbon Accounting Financials (PCAF) and the Technical Guidelines on Carbon Accounting for Investment and Financing Business of Financial Institutions (Trial) issued by the PBOC, the bank conducted trial accounting of the carbon emissions related to its corporate loans in major carbon-intensive industries such as thermal power, steel, and building materials. By using the independently developed statistical system for carbon footprint management data, ICBC collected historical carbon emission data, carried out data attribution analysis, continued to conduct research on carbon peaking and carbon neutrality in terms of its operations, and analyzed the potential of energy conservation and carbon reduction to provide necessary data for subsequent low-carbon operations; it engaged a professional third party to verify the data through on-site inventory and document review, cementing the foundation for exerting continuous efforts in carbon peaking and carbon neutrality. The listed banks should closely follow up with relevant guidelines and establish a carbon accounting system to address tightening regulation and meet investors' expectations.

Keeping up with new regulations on sustainability disclosure

As expediting the low-carbon transformation initiative has become a global consensus on sustainable economic development, actions are taken to speed up the formulation of sustainability disclosure standards. In June 2023, the International Sustainability Standards Board (ISSB) officially issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2).

In April 2024, Hong Kong Exchanges and Clearing Limited (HKEX) released a summary of the consultation paper on enhancing climate-related disclosures under the ESG framework, clarifying that the revised Listing Rules will take effect on 1 January 2025, and the Appendix C2 Environmental, Social and Governance Reporting Guide in the Listing Rules will be renamed the ESG Reporting Code (hereinafter referred to as the "ESG Code") to reinforce the mandatory requirements for ESG disclosures of listed companies. The new climate-related disclosure requirements in the ESG Code align with IFRS S2 and will come into effect gradually from the 2025 reporting year, and HKEX has published implementation guidance (including references to IFRS S1) to help issuers comply with such new requirements.

In April 2024, under the guidance of CSRC, the Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange unveiled their respective guidelines on sustainability report of listed companies (trial) (the "Guidelines", containing same main contents), which will become effective on 1 May 2024. The Guidelines include standards for disclosure of sustainability-related information of listed companies in line with China's national conditions, provide guidance for listed companies to implement sustainable development, and clarify information disclosure standards. According to the Guidelines, listed companies should integrate sustainability into their development strategy and operation and management activities, continue to strengthen ecological and environmental protection, fulfill social responsibilities, and continuously enhance corporate governance, competitiveness, innovation capabilities, risk resistance and profitability, contribute to the sustainable development of economy and society while bolstering their own growth, and bring more benefits to the economy, society and environment; in light of the characteristics of its business and the industry in which it operates, a listed company should determine whether each agenda under the Guidelines will have a significant impact on its business model, business operations, development strategy, financial position, operating results, cash flow, financing methods and costs in the short, medium and long run, and whether its performance on each agenda will have a significant impact on the economy, society and environment, and elaborate the process of analyzing the materiality of each agenda.

In response to tightening requirements on sustainability report, the listed banks, as key players of the capital market, must take the initiative to develop and implement compliance strategies. The Guidelines pose the following challenges to the listed banks:

Firstly, compliance with the Guidelines requires the listed banks to improve internal data management and reporting systems to meet stricter disclosure requirements. Particularly, for the collection and calculation of indicators related to environmental and social responsibilities, the listed banks need to ensure the accuracy and timeliness of data, which necessitates the introduction of more advanced technologies and IT systems.

Secondly, the listed banks are also confronted with new challenges in risk management. According to the Guidelines, the listed banks should integrate environmental and social risk factors into their overall risk management frameworks. Specifically, they shall not only identify and assess these risks, but also develop targeted management measures and disclose in detail the management and mitigation measures of these risks in reports.

In addition, the listed banks need to integrate sustainability goals into strategies, including developing and promoting green finance products, such as green bonds and sustainability loans, and factoring in environmental and social risk when making investment decisions, responding to market demand and regulatory requirements and seizing emerging opportunities.

To address the above challenges, the listed banks can take the following improvement measures:

01

Invest in technologies and develop a system of environmental and social data processing and analysis to better meet the requirements on data accuracy and adequacy under the Guidelines.

02

Raise awareness of the importance of sustainability through internal training, especially for employees directly involved in risk management and product development, to communicate new reporting requirements and enable implementation.

03

Review and adjust risk management framework to incorporate environmental and social factors into core risk assessment models. This not only meets the requirements of the Guidelines, but also helps the listed banks capture and mitigate potential ESG risks.

04

Seize the opportunities in emerging businesses and develop new products and services aligned with sustainability goals, demonstrating the listed banks' commitments to sustainability as market leaders.

05

Strengthen connection with stakeholders, including regulators, investors, and customers. Transparent communication and reporting enable the listed banks to build and maintain public trust and confidence in their sustainability practices.

In summary, the listed banks should step up efforts in technology, strategy and communication, to meet the evolving requirements on sustainability reporting, and compete confidently in a market with growing focus on sustainability. Implementing the above-mentioned measures will not only position the listed banks to be compliant with new regulatory requirements, but also enhance their brand image and status in terms of sustainability, leading to business growth and success in the long run.

05 Operating prudently to safeguard against underlying risks

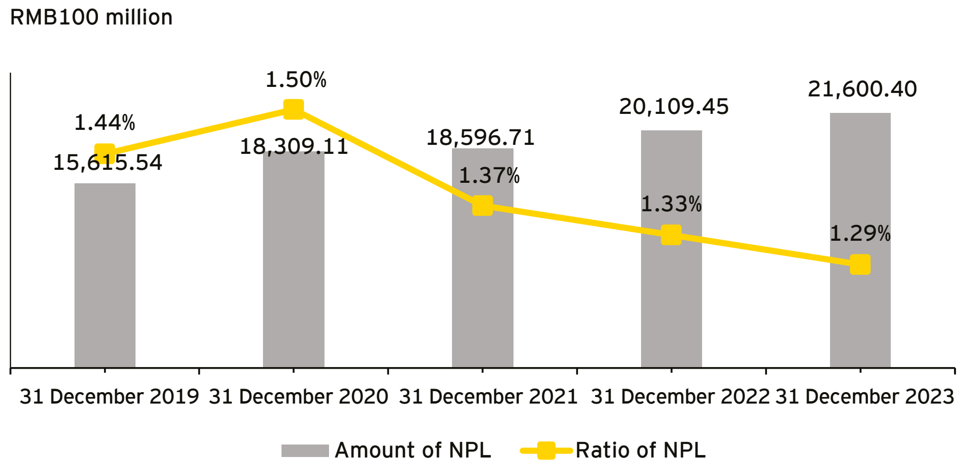
In 2023, the listed banks performed prudent operations and maintained stable asset quality. They strengthened risk prevention and control in key areas, and improved intelligent risk control capabilities. Rising provision coverage ratio (PCR) and stable capital adequacy ratios (CARs) enabled the listed banks to be capable of covering risk losses. However, small- and medium-sized banks remained under great pressure due to asset quality deterioration.

Steady decline in overall NPL ratio

0.04 percentage points

As at 31 December 2023, the NPL balance of the listed banks was RMB2,160.04 billion, increasing by RMB149.10 billion from the prior year-end. The weighted average NPL ratio declined by 0.04 percentage point to 1.29% from 1.33% at 2022 year-end. Particularly, the NPL ratio of large banks was 1.30%, decreasing by 0.03 percentage point from the prior year-end. The NPL ratio of national joint-stock banks was 1.25%, decreasing by 0.05 percentage point from the prior year-end. The NPL ratio of city commercial banks was 1.30%, decreasing by 0.08 percentage point from the prior year-end. The NPL ratio of rural commercial banks was 1.30%, decreasing by 0.04 percentage point from the prior year-end. While the overall NPL ratio of the listed banks was declining, there was significant divergence among the banks in asset quality. Specifically, the NPL ratio of six city commercial banks and one rural commercial bank exceeded 2%, indicating some small- and medium-sized banks remained under great pressure due to asset quality deterioration.

Changes in the NPL balance and NPL ratio of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

NPL balance and NPL ratio of the listed banks (Unit: RMB million)						
	31 December 2021		31 December 2022		31 December 2023	
	NPL amount	NPL ratio	NPL amount	NPL ratio	NPL amount	NPL ratio
ICBC	293,429	1.42%	321,170	1.38%	353,502	1.36%
CCB	266,071	1.42%	292,825	1.38%	325,256	1.37%
ABC	245,782	1.43%	271,062	1.37%	300,760	1.33%
BOC	208,792	1.33%	231,677	1.32%	253,205	1.27%
BOCOM	96,796	1.48%	98,526	1.35%	105,688	1.33%
PSBC	52,685	0.82%	60,736	0.84%	67,460	0.83%
Large banks	**1,163,555**	**1.37%**	**1,275,996**	**1.33%**	**1,405,871**	**1.30%**
CMB	50,862	0.91%	58,004	0.96%	61,579	0.95%
IB	48,714	1.10%	54,488	1.09%	58,491	1.07%
CITIC	67,459	1.39%	65,213	1.27%	64,800	1.18%
PAB	31,275	1.02%	34,861	1.05%	36,036	1.06%
CEB	41,366	1.25%	44,674	1.25%	47,476	1.25%
SPDB	76,829	1.61%	74,619	1.52%	74,198	1.48%
CMBC	72,338	1.79%	69,387	1.68%	65,097	1.48%
HX	39,073	1.77%	39,870	1.75%	38,505	1.67%
CZB	20,667	1.53%	22,353	1.47%	24,596	1.44%
CBHB	16,835	1.76%	16,807	1.76%	16,558	1.78%
National joint-stock banks	**465,418**	**1.35%**	**480,276**	**1.30%**	**487,336**	**1.25%**
BJS	15,138	1.08%	15,103	0.94%	16,442	0.91%
BOB	24,121	1.44%	25,712	1.43%	26,571	1.32%
BONB	6,619	0.77%	7,846	0.75%	9,499	0.76%
BSH	15,295	1.25%	16,294	1.25%	16,605	1.21%
BONJ	7,233	0.91%	8,516	0.90%	9,869	0.90%
HSB	11,660	1.78%	11,361	1.49%	11,022	1.26%
BHZ	5,041	0.86%	5,420	0.77%	6,109	0.76%
BOCD	3,806	0.98%	3,777	0.78%	4,238	0.68%
BOCS	4,423	1.20%	4,937	1.16%	5,597	1.15%
BGY	3,704	1.45%	4,144	1.45%	5,165	1.59%
BCQ	4,106	1.30%	4,835	1.38%	5,212	1.34%
BSZ	2,369	1.11%	2,206	0.88%	2,462	0.84%
QLB	2,923	1.35%	3,319	1.29%	3,784	1.26%
BTJ	8,046	2.41%	6,299	1.84%	6,816	1.70%
BQD	3,262	1.34%	3,247	1.21%	3,539	1.18%
BGZ	2,880	1.15%	4,322	1.47%	5,568	1.68%
ZYB	8,476	2.18%	13,199	1.93%	14,452	2.04%
XMB	1,596	0.91%	1,723	0.86%	1,602	0.76%
BOXA	2,393	1.32%	2,376	1.25%	2,732	1.35%
WHCCB	2,109	1.47%	2,396	1.46%	2,760	1.45%
JSB	2,859	1.84%	3,354	1.80%	3,412	1.78%
LZB	3,742	1.73%	3,873	1.71%	4,233	1.73%
BZZ	5,345	1.85%	6,222	1.88%	6,757	1.87%
JXB	4,074	1.47%	6,781	2.18%	7,299	2.17%
LZB	1,059	1.42%	1,267	1.53%	1,245	1.35%
HRB	8,483	2.88%	8,219	2.89%	9,260	2.87%
SJB	19,198	3.28%	19,762	3.22%	12,806	2.68%
BJJ	3,514	1.41%	5,071	1.82%	6,304	2.09%
BGS	4,055	2.04%	4,193	2.00%	4,334	2.00%
City commercial banks	**187,529**	**1.44%**	**205,774**	**1.38%**	**215,694**	**1.30%**
SRCB	5,827	0.95%	6,336	0.94%	6,926	0.97%
CQRCB	7,300	1.25%	7,717	1.22%	8,059	1.19%
DRCB	2,384	0.84%	2,871	0.90%	4,300	1.23%
CSRCB	1,325	0.81%	1,567	0.81%	1,672	0.75%
GRCB	12,050	1.83%	14,597	2.11%	13,652	1.87%
QRCB	4,038	1.74%	5,260	2.19%	4,642	1.81%
WXRCB	1,100	0.93%	1,037	0.81%	1,124	0.79%
JYRCB	1,205	1.32%	1,011	0.98%	1,129	0.98%
ZJGRCB	944	0.95%	1,022	0.89%	1,193	0.94%
RRCB	1,067	1.25%	1,110	1.08%	1,104	0.97%
SZRCB	957	1.00%	1,038	0.95%	1,108	0.91%
ZJRCB	2,030	1.45%	1,928	1.20%	2,054	1.16%
JTRCB	2,942	1.88%	3,405	1.98%	4,176	2.34%
Rural commercial banks	**43,169**	**1.30%**	**48,899**	**1.34%**	**51,139**	**1.30%**
All listed banks	**1,859,671**	**1.37%**	**2,010,945**	**1.33%**	**2,160,040**	**1.29%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

The NPL ratio of all of the six large banks showed a decline. For national joint-stock banks, except for PAB and CBHB that recorded a rise in NPL ratio, each of the other eight banks saw a slide or a flat level. For city commercial banks and rural commercial banks, as the loans grew, the NPL ratio of most banks declined or maintained flat from prior year-end, but 11 banks, including ZYB, BJJ, BGZ, JTRCB and DRCB, each reported a rise in NPL ratio.

The NPL balance of large banks was RMB1,405.87 billion as at 31 December 2023, an increase of RMB129.88 billion from 2022 year-end. The NPL balance of national joint-stock banks was RMB487.34 billion, an increase of RMB7.06 billion from 2022 year-end. The NPL balance of city commercial banks was RMB215.69 billion, an increase of RMB9.92 billion from 2022 year-end. The NPL balance of rural commercial banks was RMB51.14 billion, an increase of RMB2.24 billion from 2022 year-end.

The decline in NPL ratio of the listed banks was mainly contributed by the growth of loans and their stepped-up efforts in resolution of NPLs. According to data released by the NFRA (formerly known as the CBIRC), as at 31 December 2023, the NPL balance of banking financial institutions was RMB3.95 trillion, an increase of RMB0.15 trillion from the beginning of the year, and the NPL ratio was 1.62%. The ratio of loans overdue for more than 90 days to NPLs of commercial banks remained at a low level of 84.2%. In 2023, the banking industry maintained efforts in the resolution of non-performing assets, which totaled RMB3 trillion. In the complex and volatile external economic environment, the listed banks continued with the disposal of distressed assets and expedited cleaning up of NPLs. As the risks were gradually mitigated, the overall asset quality of the banking industry kept improving.

Rising credit risk in the real estate sector

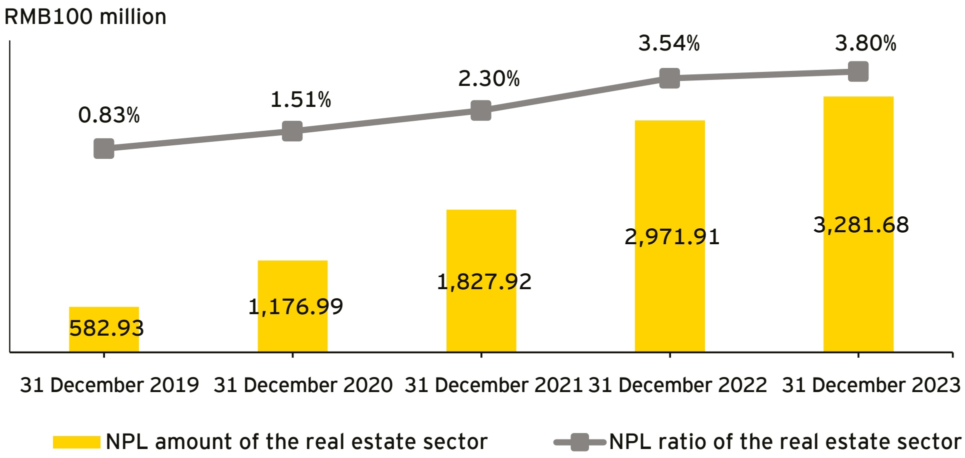
The overall NPL ratio of the listed banks was declining, and both the NPL balance and NPL ratio decreased in industries such as manufacturing, mining, wholesale and retail, and transportation. However, the credit risk of the real estate sector continued to rise amid increasing liquidity risk of some highly leveraged real estate enterprises. The NPL ratio of loans to the real estate sector increased from 3.54% at 2022 year-end to 3.80% at 2023 year-end.

The weighted average NPL ratio of corporate loans to the real estate sector of large banks was 4.19%, increasing by 0.11 percentage point from the prior year-end. Particularly, the NPL ratio of ICBC, ABC and BOC declined to varying degrees, but stayed above 5%. The weighted average NPL ratio of corporate loans to the real estate sector of national joint-stock banks was 3.26%, increasing by 0.35 percentage point from the prior year-end. The weighted average NPL ratio of corporate loans to the real estate sector of city commercial banks was 3.17%, increasing by 0.58 percentage point from the prior year-end, with BGZ reporting a ratio of over 40%. The weighted average NPL ratio of corporate loans to the real estate sector of rural commercial banks was 2.91%, increasing by 0.58 percentage point from the prior year-end. In general, the NPL ratio of loans to the real estate sector of small- and medium-sized banks increased significantly, indicating larger credit risk exposure.

NPL ratio of corporate loans to the real estate sector	31 December 2021	31 December 2022	31 December 2023
Large banks	2.61%	4.08%	4.19%
National joint-stock banks	1.79%	2.91%	3.26%
City commercial banks	2.49%	2.59%	3.17%
Rural commercial banks	1.36%	2.33%	2.91%
All listed banks	2.30%	3.54%	3.80%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Changes in the NPL balance and NPL ratio of corporate loans to the real estate sector of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks. Only the listed banks that disclosed the data are included in calculation.

Since the PBOC and the NFRA issued the Notice on Providing Financial Support for the Stable and Healthy Development of the Real Estate Market in November 2022, the listed banks, under the guidance of national and local policies, continued to facilitate a virtuous cycle and sound development of the real estate sector in 2023. In January 2024, the Ministry of Housing and Urban-Rural Development and NFRA jointly issued the Notice on the Establishment of a Coordination Mechanism for Urban Real Estate Financing, to promote targeted support for rational financing needs of real estate projects and the steady and healthy development of real estate market. However, de-risking the whole real estate sector is not an overnight process, and uncertainties remain around exposure and resolution of risks.

Increasing NPL ratio of personal housing mortgage loans

The fluctuations in the real estate market depressed the growth of personal housing mortgage loans of the listed banks. As at 31 December 2023, the personal housing mortgage loans decreased by 1.59% from the prior year-end, and the NPL ratio increased from 0.45% at 2022 year-end to 0.49% at 2023 year-end.

For large banks, the NPL ratio of personal housing mortgage loans was 0.47%, up 0.03 percentage point from 2022 year-end. Except for BOCOM and PSBC, the NPL ratio of personal housing loans of the other large banks increased at varying degrees. For national joint-stock banks, the NPL ratio of personal housing mortgage loans was 0.54%, up 0.07 percentage point from 2022 year-end. For city commercial banks, the NPL ratio of personal housing mortgage loans was 0.82%, up 0.16 percentage point from 2022 year-end. Particularly, the NPL ratio of personal housing mortgage loans of SJB exceeded 2%. For rural commercial banks, the NPL ratio of personal housing mortgage loans was 1.10%, up 0.25 percentage point from 2022 year-end. Notably, the NPL ratio of personal housing mortgage loans of small- and medium-sized banks exhibited significant increase, putting pressure on asset quality.

NPL ratio of personal housing mortgage loans of listed banks	31 December 2021	31 December 2022	31 December 2023
Large banks	0.28%	0.44%	0.47%
National joint-stock banks	0.56%	0.47%	0.54%
City commercial banks	0.37%	0.66%	0.82%
Rural commercial banks	0.50%	0.85%	1.10%
All listed banks	0.32%	0.45%	0.49%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Meanwhile, the growth of personal business loans slowed down to 22.71% in 2023, down 11.28 percentage points from 2022. The growth rate was divergent among different types of listed banks. Particularly, large banks maintained fast personal business loan growth. Except for BOC that did not disclose the data, each of the other large banks saw a growth rate of over 20%, with CCB reporting a growth of over 80%.

In March 2023, the NFRA issued the Circular on Carrying out Special Rectification Actions against Illegal Lending Intermediaries, which requires "banking institutions to fully disclose to customers the interest rates of business loans and mortgage loans and maturity mismatch risk, and clarify legal consequences and impacts of diverting business loan funds to home purchases". The listed banks should strengthen control over the end use of credit funds to prevent diversion of funds.

Growth rate and NPL ratio of personal housing mortgage loans and personal business loans

Category	31 December 2021		31 December 2022		31 December 2023	
	Growth rate	NPL ratio	Growth rate	NPL ratio	Growth rate	NPL ratio
Personal housing mortgage loans	10.79%	0.32%	1.49%	0.45%	-1.59%	0.49%
Personal business loans	24.67%	1.24%	33.99%	1.25%	22.71%	1.02%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Rising credit risk of credit card business

As at 31 December 2023, the credit card NPL ratio of the listed banks was 2.20%, edging up from 2.04% at 2022 year-end, showing an overall increasing trend. For large banks, the credit card NPL ratio rose from 1.67% at 2022 year-end to 1.82% at 2023 year-end. The credit card NPL ratio of six national joint-stock banks that disclosed the data increased from 2.41% at 2022 year-end to 2.57% at 2023 year-end. The credit card NPL ratio of the city commercial banks and rural commercial banks that disclosed the data increased by 0.94 percentage point and 1.35 percentage points, respectively, from 2022 year-end. Overall, small- and medium-sized banks were under greater pressure from poor credit card asset quality.

As squeezed income impaired repayment ability of some credit card holders, both the NPL balance and NPL ratio of credit card business increased, indicating rising credit risk requiring banks' special attention.

NPL ratio of credit card loans of the listed banks	31 December 2021	31 December 2022	31 December 2023
Large banks	1.63%	1.67%	1.82%
National joint-stock banks	2.08%	2.41%	2.57%
City commercial banks	2.38%	2.37%	3.31%
Rural commercial banks*	1.37%	1.46%	2.81%
All listed banks	1.86%	2.04%	2.20%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

* Rural commercial banks that did not disclose the NPL ratio of credit card loans at 2023 year-end are not included in the calculation of NPL ratios as at the end of 2021 and 2022 even if they disclosed the data in 2021 or 2022.

Declining overdue loan ratio, and rising overdue loan-to-NPL ratio

As at 31 December 2023, the overdue loan ratio of the listed banks fell from 1.41% at 2022 year-end to 1.39%, but the results were mixed among the bank groups. For large banks, the overdue loan ratio rose from 1.10% at 2022 year-end to 1.14% at 2023 year-end. Particularly, the ratio of BOCOM, CCB, and IB increased by 0.22 percentage point, 0.09 percentage point and 0.05 percentage point, respectively, from the prior year-end. For national joint-stock banks, the overdue loan ratio fell from 1.78% at 2022 year-end to 1.69% at 2023 year-end. For city commercial banks, the overdue loan ratio fell from 2.32% at 2022 year-end to 2.04% at 2023 year-end. For rural commercial banks, the overdue loan ratio rose from 2.00% at 2022 year-end to 2.48% at 2023 year-end.

Overdue loan ratio of the listed banks	31 December 2021	31 December 2022	31 December 2023
Large banks	1.09%	1.10%	1.14%
National joint-stock banks	1.79%	1.78%	1.69%
City commercial banks	2.23%	2.32%	2.04%
Rural commercial banks	2.09%	2.00%	2.48%
All listed banks	1.40%	1.41%	1.39%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

According to the Measures for Risk Classification of Financial Assets of Commercial Banks, restructured assets of banks also include loans subjected to contract adjustments, such as extension and grace period for repayment of principal and interest due to financial difficulties of borrowers. As at 31 December 2023, the restructured loans disclosed by listed banks increased by RMB276.14 billion, or 109.10%, from 2022 year-end, and the proportion of restructured loans in total loans increased by 0.14 percentage point to 0.32% from 0.18% at 2022 year-end. Particularly, the restructured loans of large banks increased by 187.98% from 2022 year-end.

Restructured loans of the listed banks

(In RMB million)	31 December 2021		31 December 2022		31 December 2023	
	Amount	Proportion in total loans	Amount	Proportion in total loans	Amount	Proportion in total loans
Large banks	78,689	0.10%	101,468	0.11%	292,211	0.27%
National joint-stock banks	79,478	0.23%	67,999	0.18%	108,234	0.28%
City commercial banks	56,002	0.50%	54,442	0.43%	93,231	0.66%
Rural commercial banks	25,480	0.80%	29,204	0.84%	35,577	0.95%
All listed banks	239,649	0.19%	253,113	0.18%	529,253	0.32%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

The ratios of overdue loans to NPLs were divergent among different types of listed banks as at 31 December 2023. For large banks, except for BOCOM and PSBC, the ratio of overdue loans to NPLs of the other four banks was less than 100% with slight increase from 2022 year-end. Particularly, ABC reported the lowest ratio of overdue loans to NPLs at 81.30%, and ICBC reported the highest ratio of 93.47%, increasing by 5.03 percentage points from 2022 year-end. Except for HSB, BHZ, BSZ, QLB, WXRCB and SZRCB, the ratio of overdue loans to NPLs of all other national joint-stock banks, city commercial banks and rural commercial banks that disclosed the data stayed above 100%. Particularly, HRB, BZZ, and GRCB recorded a ratio of over 200%, and CEB, CBHB, BGY, SJB, JXB, ZYB, BOXA, LZB, QRCB, CSRCB, JTRCB, ZJGRCB and BORF recorded a ratio of over 150%. In general, small- and medium-sized listed banks came under greater pressure relative to large banks in terms of asset quality.

Overdue loans/NPLs of listed banks	31 December 2021	31 December 2022	31 December 2023
Large banks	79.80%	83.13%	87.89%
National joint-stock banks	132.69%	136.37%	135.26%
City commercial banks	154.61%	167.61%	156.13%
Rural commercial banks	161.25%	149.23%	190.46%
All listed banks	102.47%	106.10%	107.82%

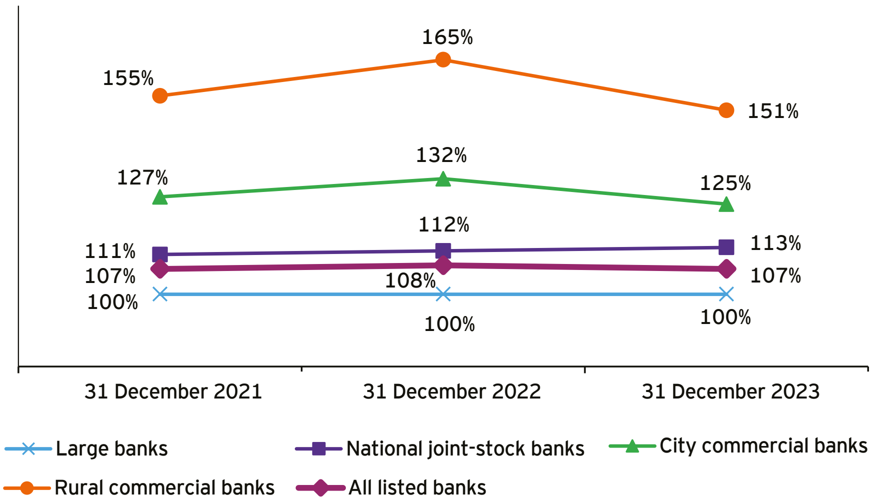
Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Deviation between NPLs and impaired loans of small- and medium-sized banks remained relatively wider

As at 31 December 2023, the balance of Stage 3 loans (impaired loans) classified by the listed banks was still above that of NPLs, and the ratio of Stage 3 loans to NPLs was 107%, down 1 percentage point from 2022 year-end.

Particularly, for large banks, the amount of impaired loans was basically the same with the amount of NPLs, while for national joint-stock banks, city commercial banks and rural commercial banks that remained under great pressure from poor asset quality, the amount of impaired loans was higher than the amount of NPLs by 13 percentage points, 25 percentage points and 51 percentage points, respectively.

Ratio of impaired loans to NPLs of listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

To comply with the asset classification standards in Measures for Risk Classification of Financial Assets of Commercial Banks (hereinafter referred to as "Order No. 1"), the listed banks should develop a reclassification plan to address the differences between NPLs and impaired loans, and by 31 December 2025, reclassify all the existing loans step by step on a quarterly basis. Commercial banks should follow up on the impact of Order No. 1 on asset quality and risk classification.

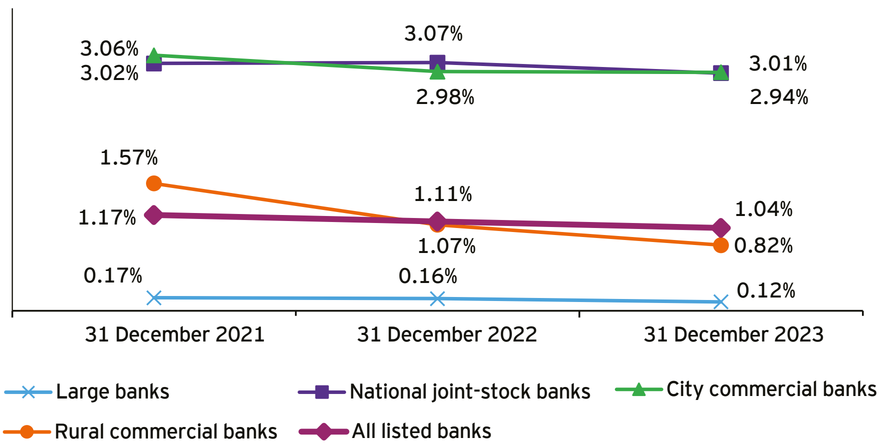
Debt investment risks of city commercial banks requiring continual attention

As at 31 December 2023, the proportion of Stage 3 assets (impaired assets) in debt investment of the listed banks was 1.04%, down 0.07 percentage point from the end of 2022. The listed banks that recorded an increase in the proportion of Stage 3 assets in debt investment from 2022 year-end were mainly 15 national joint-stock banks and city commercial banks, including SPDB, CZB, CBHB, BGY, BONJ, BCQ, BSZ, BQD, ZYB, BOXA, BZZ, LZB, HRB, BJJ and BGS. Particularly, the proportion of Stage 3 assets in debt investment as at 31 December 2023 of HRB and ZYB increased by 8.06 percentage points and 4.04 percentage points, respectively, from 2022 year-end. As the credit risk from debt investment of small- and medium-sized banks remained at a relatively high level, the listed banks should pay more attention to the risk of these assets and step up monitoring and resolution.

Proportion of Stage 3 debt investment	31 December 2021	31 December 2022	31 December 2023
Large banks	0.17%	0.16%	0.12%
National joint-stock banks	3.06%	3.07%	2.94%
City commercial banks	3.02%	2.98%	3.01%
Rural commercial banks	1.57%	1.07%	0.82%
All listed banks	1.17%	1.11%	1.04%

Source: Calculated based on the annual reports and prospectuses published by the listed banks.
Note: The disclosure of debt investment in the annual reports of various banks is based on different indicators. The disclosure by BOC is based on bond assets, the disclosure of CEB, CMBC and JXB is based on financial assets measured at amortized cost and at fair value through other comprehensive income, the disclosure of BTJ is based on debt instrument measured at amortized cost, the disclosure of BGZ is based on total financial investments, and the disclosure of the other banks is based on financial assets measured at amortized cost.

The proportion of Stage 3 debt investment of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Rising country risks requires attention

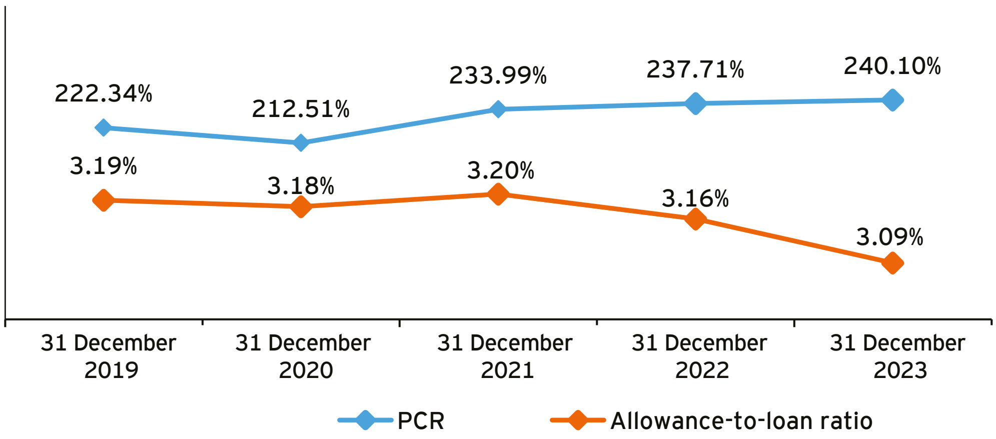
In recent years, geopolitical risks have been on the rise amid increasing uncertainties worldwide. The listed banks, especially large banks with extensive overseas footprint, are facing rising country risks and need to strengthen their management in accordance with regulatory requirements. In order to improve the country risk management system of banking financial institutions and facilitate stable and sound development of the banking industry, the NFRA revised the Guidelines on Country Risk Management for Banking Financial Institutions, and developed the Measures for Country Risk Management of Banking Financial Institutions, which was issued in November 2023.

PCR remained higher and allowance-to-loan ratio declined steadily

As at 31 December 2023, the weighted average PCR of the listed banks rose by 2.39 percentage points to 240.10% from the prior year-end. For large banks, the PCR increased by 1.17 percentage points from the prior year-end, with four banks recording an increase in PCR, while PSBC and CCB recording a decrease by 37.94 percentage points and 1.68 percentage points from the prior year-end , respectively. For national joint-stock banks, the PCR increased by 4.67 percentage points from the prior year-end, with CMB, PAB and CEB each recording a decrease while the others recording an increase. For city commercial banks, the PCR rose by 4.10 percentage points from the prior year-end, and for rural commercial banks, the PCR fell by 0.37 percentage point.

As at 31 December 2023, the weighted average allowance-to-loan ratio of the listed banks dropped by 0.07 percentage point to 3.09% from the prior year-end. The ratio slipped by 0.06 percentage point to 3.11% for large banks, fell by 0.06 percentage point to 2.80% for national joint-stock banks, decreased by 0.14 percentage point to 3.44% for city commercial banks, and dropped by 0.12 percentage point to 3.79% for rural commercial banks.

Weighted average allowance-to-loan ratio and PCR of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

PCRs of the listed banks			
	31 December 2021	31 December 2022	31 December 2023
ICBC	205.84%	209.47%	213.97%
CCB	239.96%	241.53%	239.85%
ABC	299.73%	302.60%	303.87%
BOC	187.05%	188.73%	191.66%
BOCOM	166.50%	180.68%	195.21%
PSBC	418.61%	385.51%	347.57%
Large banks	**236.46%**	**239.00%**	**240.17%**
CMB	483.87%	450.79%	437.70%
IB	268.73%	236.44%	245.21%
CITIC	180.07%	201.19%	207.59%
PAB	288.42%	290.28%	277.63%
CEB	187.02%	187.93%	181.27%
SPDB	143.96%	159.04%	173.51%
CMBC	145.30%	142.49%	149.69%
HX	150.99%	159.88%	160.06%
CZB	174.61%	182.19%	182.60%
CBHB	135.63%	150.95%	156.94%
National joint-stock banks	**214.79%**	**219.47%**	**224.14%**
BJS	318.93%	371.66%	378.13%
BOB	210.22%	210.04%	216.78%
BONB	525.52%	504.90%	461.04%
BSH	301.13%	291.61%	272.66%
BONJ	397.34%	397.20%	360.58%
HSB	239.74%	276.57%	271.94%
BHZ	567.71%	565.10%	561.42%
BOCD	402.88%	501.57%	504.29%
BOCS	297.87%	311.09%	314.21%
BGY	271.03%	260.86%	244.50%
BCQ	274.01%	211.19%	234.18%
BSZ	422.91%	530.81%	522.77%
QLB	253.95%	281.06%	303.58%
BTJ	154.26%	159.27%	167.86%
BQD	197.42%	219.77%	225.96%
BGZ	426.41%	351.21%	287.71%
ZYB	153.49%	157.08%	154.06%
XMB	370.64%	387.93%	412.89%
BOXA	224.21%	201.63%	197.07%
WHCCB	171.56%	154.68%	152.12%
JSB	184.77%	177.04%	198.71%
LZB	191.88%	194.99%	197.51%
BZZ	156.58%	165.73%	174.87%
JXB	188.26%	178.05%	177.16%
LZB	262.49%	256.93%	372.42%
HRB	162.45%	181.54%	197.38%
SJB	130.87%	140.30%	159.50%
BJJ	214.66%	173.01%	153.82%
BGS	132.04%	134.73%	133.39%
City commercial banks	**253.03%**	**259.47%**	**263.57%**
SRCB	442.50%	445.32%	404.98%
CQRCB	340.25%	357.74%	366.70%
DRCB	375.34%	373.83%	308.30%
CSRCB	531.82%	536.77%	537.88%
GRCB	167.04%	156.93%	164.63%
QRCB	231.77%	207.63%	237.96%
WXRCB	477.19%	552.74%	522.57%
JYRCB	330.62%	469.62%	409.46%
ZJGRCB	475.35%	521.09%	424.23%
RRCB	252.90%	280.50%	304.12%
SZRCB	412.22%	442.83%	452.85%
ZJRCB	232.00%	246.66%	247.25%
JTRCB	157.33%	157.39%	156.98%
Rural commercial banks	**291.79%**	**291.70%**	**291.33%**
All listed banks	**233.99%**	**237.71%**	**240.10%**

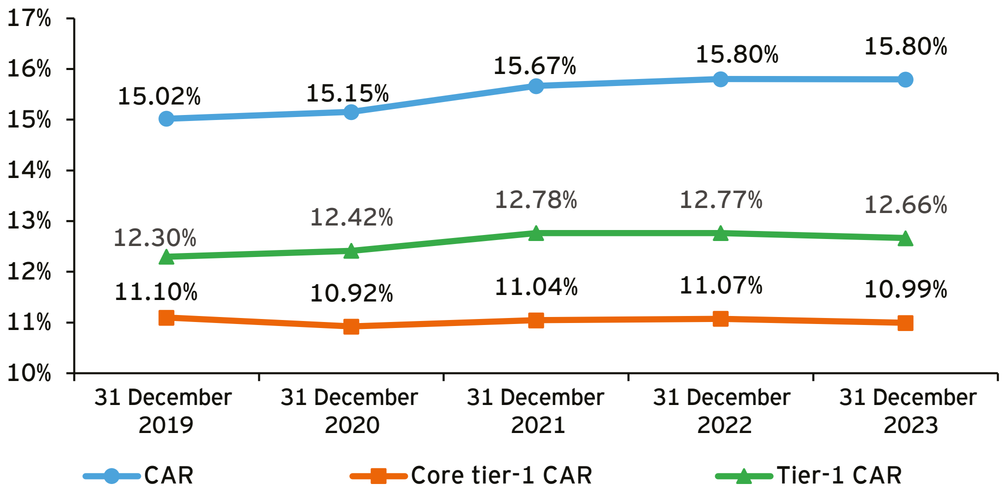
Allowance-to-loan ratios of the listed banks			
	31 December 2021	31 December 2022	31 December 2023
ICBC	2.92%	2.90%	2.90%
CCB	3.40%	3.34%	3.28%
ABC	4.30%	4.16%	4.05%
BOC	2.49%	2.50%	2.44%
BOCOM	2.46%	2.44%	2.59%
PSBC	3.43%	3.26%	2.88%
Large banks	**3.23%**	**3.17%**	**3.11%**
CMB	4.42%	4.32%	4.14%
IB	2.96%	2.59%	2.63%
CITIC	2.50%	2.55%	2.45%
PAB	2.94%	3.04%	2.94%
CEB	2.34%	2.35%	2.27%
SPDB	2.31%	2.42%	2.57%
CMBC	2.60%	2.39%	2.22%
HX	2.67%	2.80%	2.67%
CZB	2.68%	2.67%	2.63%
CBHB	2.39%	2.65%	2.79%
National joint-stock banks	**2.89%**	**2.86%**	**2.80%**
BJS	3.45%	3.50%	3.45%
BOB	3.03%	3.00%	2.86%
BONB	4.03%	3.79%	3.50%
BSH	3.76%	3.64%	3.29%
BONJ	3.63%	3.57%	3.23%
HSB	4.27%	4.11%	3.43%
BHZ	4.86%	4.36%	4.25%
BOCD	3.95%	3.89%	3.42%
BOCS	3.56%	3.61%	3.60%
BGY	3.94%	3.79%	3.90%
BCQ	3.56%	2.91%	3.13%
BSZ	4.70%	4.67%	4.39%
QLB	3.43%	3.63%	3.83%
BTJ	3.72%	2.93%	2.85%
BQD	2.64%	2.65%	2.67%
BGZ	4.90%	5.17%	4.83%
ZYB	3.35%	3.03%	3.15%
XMB	3.38%	3.34%	3.15%
BOXA	2.95%	2.53%	2.65%
WHCCB	2.53%	2.26%	2.21%
JSB	3.39%	3.19%	3.54%
LZB	3.32%	3.33%	3.41%
BZZ	2.90%	3.12%	3.28%
JXB	2.76%	3.88%	3.84%
LZB	3.72%	3.93%	5.01%
HRB	4.68%	5.25%	5.66%
SJB	4.29%	4.52%	4.27%
BJJ	3.02%	3.14%	3.21%
BGS	2.70%	2.64%	2.66%
City commercial banks	**3.65%**	**3.58%**	**3.44%**
SRCB	4.20%	4.21%	3.94%
CQRCB	4.27%	4.36%	4.37%
DRCB	3.15%	3.37%	3.81%
CSRCB	4.33%	4.35%	4.04%
GRCB	3.06%	3.31%	3.07%
QRCB	4.02%	4.55%	4.32%
WXRCB	4.46%	4.46%	4.11%
JYRCB	4.36%	4.60%	4.01%
ZJGRCB	4.49%	4.63%	3.98%
RRCB	3.17%	3.03%	2.96%
SZRCB	4.14%	4.21%	4.10%
ZJRCB	3.36%	2.97%	2.87%
JTRCB	2.95%	3.12%	3.68%
Rural commercial banks	**3.78%**	**3.91%**	**3.79%**
All listed banks	**3.20%**	**3.16%**	**3.09%**

Source: Calculated based on the annual reports and prospectuses published by the listed banks.

Stable CARs reinforced ability to cover risk losses

In 2023, the listed banks actively replenished capital through both internal and external channels and maintained stable CARs. As at 2023 year-end, the core tier-1 CAR of the listed banks decreased by 0.08 percentage point to 10.99% from 2022 year-end; tier-1 CAR decreased by 0.11 percentage point to 12.66%; and CAR was 15.80%, flat from 2022 year-end.

CARs of the listed banks



Source: Calculated based on the annual reports and prospectuses published by the listed banks.

As compared with the prior year, the changes in averaged CAR of the listed banks diverged, with large banks and national joint-stock banks seeing a decline, while city commercial banks and rural commercial banks experiencing a rise. Specifically, the CAR, core tier-1 CAR and tier-1 CAR of large banks stood at 17.49%, 11.97% and 13.67%, respectively, at 2023 year-end, down 0.05 percentage point, 0.28 percentage point and 0.32 percentage point from 2022 year-end. For national joint-stock banks, the CAR stood at 13.41%, down 0.11 percentage point from 2022 year-end, while the core tier-1 CAR and tier-1 CAR increased by 0.18 percentage point and 0.07 percentage point to 9.59% and 11.25%, respectively. For city commercial banks, the CAR, core tier-1 CAR and tier-1 CAR stood at 13.36%, 9.37% and 11.11%, respectively, up 0.12 percentage point, 0.08 percentage point and 0.27 percentage point from 2022 year-end. And for rural commercial banks, the CAR, core tier-1 CAR and tier-1 CAR stood at 14.55%, 11.75% and 12.33%, respectively, up 0.23 percentage point, 0.25 percentage point and 0.22 percentage point from 2022 year-end.

G-SIBs, including ICBC, ABC, CCB, BOC and BOCOM, should note that from 1 January 2025, when the total loss absorbing capacity (TLAC) requirement takes effect, they will need to keep their risk-weighted ratio of external TLAC above 16% in addition to meeting Basel III requirements. This will undoubtedly add pressure on the large banks that need to replenish capital in 2024.

	CAR			Core tier-1 CAR			Tier-1 CAR		
	31 December 2021	31 December 2022	31 December 2023	31 December 2021	31 December 2022	31 December 2023	31 December 2021	31 December 2022	31 December 2023
ICBC	18.02%	19.26%	19.10%	13.31%	14.04%	13.72%	14.94%	15.64%	15.17%
CCB	17.85%	18.42%	17.95%	13.59%	13.69%	13.15%	14.14%	14.40%	14.04%
ABC	17.13%	17.20%	17.14%	11.44%	11.15%	10.72%	13.46%	13.37%	12.87%
BOC	16.53%	17.52%	17.74%	11.30%	11.84%	11.63%	13.32%	14.11%	13.83%
BOCOM	15.45%	14.97%	15.27%	10.62%	10.06%	10.23%	13.01%	12.18%	12.22%
PSBC	14.78%	13.82%	14.23%	9.92%	9.36%	9.53%	12.39%	11.29%	11.61%
Large banks	**17.08%**	**17.54%**	**17.49%**	**12.14%**	**12.25%**	**11.97%**	**13.82%**	**13.99%**	**13.67%**
CMB	14.71%	14.68%	14.96%	11.17%	11.52%	11.86%	13.19%	13.25%	13.82%
IB	14.39%	14.44%	14.13%	9.81%	9.81%	9.76%	11.22%	11.08%	10.93%
CITIC	13.53%	13.18%	12.93%	8.85%	8.74%	8.99%	10.88%	10.63%	10.75%
PAB	13.34%	13.01%	13.43%	8.60%	8.64%	9.22%	10.56%	10.40%	10.90%
CEB	13.37%	12.95%	13.50%	8.91%	8.72%	9.18%	11.41%	11.01%	11.36%
SPDB	14.01%	13.65%	12.67%	9.40%	9.19%	8.97%	11.29%	10.98%	10.63%
CMBC	13.64%	13.14%	13.14%	9.04%	9.17%	9.28%	10.73%	10.91%	10.95%
HX	12.82%	13.27%	12.23%	8.78%	9.24%	9.16%	10.98%	11.36%	10.48%
CZB	12.89%	11.60%	12.19%	8.13%	8.05%	8.22%	10.80%	9.54%	9.52%
CBHB	12.35%	11.50%	11.58%	8.69%	8.06%	8.17%	10.76%	9.94%	10.01%
National joint-stock banks	**13.78%**	**13.52%**	**13.41%**	**9.38%**	**9.41%**	**9.59%**	**11.34%**	**11.18%**	**11.25%**
BJS	13.38%	13.07%	13.31%	8.78%	8.79%	9.46%	11.07%	10.87%	11.25%
BOB	14.63%	14.04%	13.37%	9.86%	9.54%	9.21%	13.45%	12.86%	12.18%
BONB	15.43%	15.18%	15.01%	10.16%	9.75%	9.64%	11.28%	10.71%	11.01%
BSH	12.16%	13.16%	13.38%	8.95%	9.14%	9.53%	9.95%	10.09%	10.42%
BONJ	13.54%	14.31%	13.53%	10.16%	9.73%	9.39%	11.07%	12.04%	11.40%
HSB	12.23%	12.02%	13.21%	8.45%	8.60%	9.14%	9.54%	9.53%	10.82%
BHZ	13.62%	12.89%	12.51%	8.43%	8.08%	8.16%	10.40%	9.77%	9.64%
BOCD	13.00%	13.15%	12.89%	8.70%	8.47%	8.22%	9.84%	9.39%	8.98%
BOCS	13.66%	13.41%	13.04%	9.69%	9.70%	9.59%	10.90%	10.80%	10.57%
BGY	13.96%	14.16%	15.03%	10.62%	10.95%	11.84%	11.75%	12.02%	12.90%
BCQ	12.99%	12.72%	13.37%	9.36%	9.52%	9.78%	10.45%	10.50%	11.16%
BSZ	13.06%	12.92%	14.03%	10.37%	9.63%	9.38%	10.41%	10.47%	10.81%
QLB	15.31%	14.47%	15.38%	9.65%	9.56%	10.16%	11.63%	11.35%	12.41%
BTJ	13.49%	12.80%	12.64%	10.73%	10.38%	9.80%	10.74%	10.39%	10.83%
BQD	15.83%	13.56%	12.79%	8.38%	8.75%	8.42%	11.04%	10.69%	10.10%
BGZ	13.78%	13.82%	13.30%	11.79%	11.20%	11.25%	11.79%	11.91%	12.16%
ZYB	13.30%	11.83%	11.64%	8.70%	7.98%	8.10%	10.39%	9.47%	10.44%
XMB	16.40%	13.76%	15.40%	10.47%	9.50%	9.86%	11.77%	10.60%	12.34%
BOXA	14.12%	12.84%	13.14%	12.09%	10.48%	10.73%	12.09%	10.48%	10.73%
WHCCB	14.59%	13.83%	13.38%	9.35%	8.81%	8.77%	11.33%	10.61%	10.41%
JSB	12.02%	12.40%	13.17%	10.10%	10.50%	11.14%	10.10%	10.50%	11.14%
LZB	11.56%	11.27%	11.12%	8.58%	8.47%	8.41%	10.38%	10.07%	9.92%
BZZ	15.00%	12.72%	12.38%	9.49%	9.29%	8.90%	13.76%	11.63%	11.13%
JXB	14.41%	14.00%	13.55%	9.66%	9.65%	9.37%	11.80%	12.82%	12.37%
LZB	13.36%	13.01%	12.74%	8.05%	8.10%	8.12%	9.75%	9.72%	9.61%
HRB	12.54%	11.91%	13.71%	9.28%	8.64%	8.69%	11.33%	10.69%	12.48%
SJB	12.12%	11.52%	14.12%	10.54%	9.86%	10.42%	10.54%	9.86%	12.43%
BJJ	13.21%	12.62%	12.01%	8.28%	7.93%	8.64%	11.08%	10.61%	11.07%
BGS	12.44%	12.28%	11.88%	11.95%	11.76%	11.38%	11.95%	11.76%	11.38%
City commercial banks	**13.55%**	**13.24%**	**13.36%**	**9.53%**	**9.29%**	**9.37%**	**11.29%**	**10.84%**	**11.11%**
SRCB	15.28%	15.46%	15.74%	13.06%	12.96%	13.32%	13.10%	12.99%	13.35%
CQRCB	14.77%	15.62%	15.99%	12.47%	13.10%	13.53%	12.98%	13.84%	14.24%
DRCB	16.29%	15.98%	15.85%	13.90%	13.70%	13.62%	13.94%	13.74%	13.65%
CSRCB	11.95%	13.87%	13.86%	10.21%	10.21%	10.42%	10.26%	10.27%	10.48%
GRCB	13.09%	12.59%	13.67%	9.68%	9.21%	9.83%	11.06%	10.56%	11.12%
QRCB	13.07%	13.18%	13.21%	9.62%	9.77%	9.91%	11.27%	11.41%	11.48%
WXRCB	14.35%	14.75%	14.41%	8.74%	10.97%	11.27%	10.13%	12.30%	12.52%
JYRCB	14.11%	13.90%	14.24%	12.96%	12.77%	13.10%	12.97%	12.78%	13.11%
ZJGRCB	14.30%	13.13%	13.04%	9.82%	9.36%	9.76%	11.53%	10.86%	11.17%
RRCB	18.85%	15.58%	13.88%	15.41%	14.42%	12.68%	15.42%	14.43%	12.69%
SZRCB	12.99%	12.09%	11.88%	10.72%	10.17%	10.19%	10.72%	10.17%	10.19%
ZJRCB	15.20%	14.35%	14.03%	10.65%	10.42%	10.28%	10.65%	10.42%	10.28%
JTRCB	11.63%	11.50%	11.35%	8.83%	8.91%	8.72%	8.96%	9.01%	8.81%
Rural commercial banks	**14.29%**	**14.32%**	**14.55%**	**11.45%**	**11.50%**	**11.75%**	**12.05%**	**12.11%**	**12.33%**
All listed banks	**15.67%**	**15.80%**	**15.80%**	**11.04%**	**11.07%**	**10.99%**	**12.78%**	**12.77%**	**12.66%**

Source: Public annual reports and prospectuses of the listed banks.

* The data of ICBC, CCB, ABC, BOC and BOCOM are calculated using the advanced approach. CMB disclosed the results under both the advanced approach and the weighted approach, and the data used in this report are calculated using the weighted approach. The data of other listed banks are calculated using the weighted approach.

Rising to challenges to implement New Capital Rules

In November 2023, the NFRA issued the Measure for the Capital Management of Commercial Banks (the "New Capital Rules"), which took effect on 1 January 2024, marking the implementation of Basel III in China. The New Capital Rules defined a tiered capital regulation framework with revised Pillar 1 measurement rules of risk-weighted assets, Pillar 2 supervision and inspection requirements, and Pillar 3 information disclosure standards, which imposed higher requirements for refined risk measurement and capital management of the listed banks. For example:

01

Clarifying the capital measurement criteria for commercial banks' investment in asset management products. For asset management products, if details of the underlying assets are available, the look-through approach can be used against exposure to apply appropriate risk weight; if the conditions for applying look-through approach are not met, the mandate-based approach is applied, under which banks may use the information contained in a fund's mandate to categorize underlying assets to apply a weight; if neither of the above approaches is applicable, a risk weight of 1,250% shall be applied.

02

Refining rules for measurement of risk-weighted assets. The New Capital Rules optimized the risk exposure classification criteria, added risk-driven factors, and set multi-layered weightings to detail and measure risk weights respectively applicable to risk exposures of commercial banks, local government bonds, financial institutions, real estate, individuals, SMEs, and default exposures.

03

Improving the risk management system and control mechanism. On the one hand, the New Capital Rules set the permanent floor of 72.5% risk-weighted assets to replace the original capital floor in the parallel period; improved the risk assessment requirements for credit risk, market risk and operational risk, and included country risk, IT risk, money laundering risk and climate risk in the assessment of other risks. On the other hand, the New Capital Rules improved the assessment criteria for interest rate risk in the banking book, liquidity risk and reputation risk; emphasized comprehensive risk management, included large exposures in the scope of concentration risk assessment, and required the use of stress test tools for risk management and provision for additional capital.

04

Building an information disclosure system with different requirements for various types of risk information. The New Capital Rules required first-tier banks to disclose the full set of 70 statements, specified the format, frequency, presentation and quality control requirements for disclosure, and increased the data granularity requirements for information disclosure to enhance the transparency of risk information and market discipline.

Although a transition period was set for the implementation of New Capital Rules, the listed banks still faced great challenges of being fully compliant due to the facts that it is benchmarked against the latest international standards and global best banking practices, and that implementation involves significant changes covering almost all aspects of risk management.

Firstly, infrastructure should be strengthened. The New Capital Rules include adjustment to measurement method of credit risk, market risk and operational risks, which requires restructuring the measurement system with upgraded policies and rules, business processes, basic data and information systems. In addition to developing new models or optimizing existing ones, banks need to formulate or revise multiple management systems. The New Capital Rules also propose a sophisticated calculation logic for market risk measurement based on high-performance models and high-quality data for verification, requiring listed banks to improve business management and system design, and enhance data collection, cleaning, derivative, measurement and disclosure. In addition, the listed banks should figure out how to rationally perform stress tests for operational risks.

Secondly, application of Pillar 2 should be deepened. In practice, most banks have overlooked Pillar 2 while focusing on the regulatory requirements under Pillar 1. To best leverage Pillar 2, the listed banks should establish a risk assessment mechanism matching their management level to ensure that all kinds of risks are effectively identified, measured, monitored and reported, including credit risks, market risks and operational risks, as well as cross-market, cross-business and cross-category risks. They should also optimize their risk assessment methods and apply assessment results to operation management, business development and decision-making on risks.

Thirdly, information disclosure should be improved. The New Capital Rules draw on the achievements of global regulatory reform and comprehensively tighten the regulatory requirements for information disclosure under Pillar 3. The listed banks should improve information disclosure management in accordance with the New Capital Rules, including clearly defining the responsibilities of the board of directors and senior executives, assigning information production, preparation and disclosure to specific departments, building a complete system from information processing, preparation, review to disclosure, integrating data sources, enhancing data governance, and further improving automated information disclosure.

Finally, the listed banks should embed emerging risks, such as climate risk and FinTech risk, into their enterprise risk management (ERM), continuously strengthen data security and network security, detect model and algorithm risks in a timely manner, and enhance operational risk and outsourcing risk management, to improve resilience of their operations. Meanwhile, the listed banks should set clearer goals for the implementation of New Capital Rules to align their approaches, and fully assess the impact of the New Capital Rules in terms of capital occupation to improve capital evaluation and replenishment mechanisms; they should also upgrade the skills of capital managers, and implement the New Capital Rules steadily within the transition period defined by the regulators to improve risk resilience and build a solid capital base for better serving the real economy.

06

Accelerating innovation-driven digital and intelligent transformation

In 2023, the listed banks steadily increased investment in technology, and continuously expanded technology talent teams. With extensive application and in-depth exploration of large generative AI models, the listed banks are moving forward from digital transformation to digital, intelligent transformation.

Investment in technology saw steady growth

FinTech investment growth of listed banks, especially large banks and national joint-stock banks, slowed down year by year as digital infrastructures have taken shape, but the amount of investment as a percentage of operating income kept rising. Steadily growing FinTech investment marks that the listed banks' accumulation of FinTech strength is yielding fruitful results.

Twenty-five listed banks disclosed their investment in FinTech/IT in annual reports, totaling RMB197.01 billion. Particularly, six large banks registered investment of RMB122.82 billion, accounting for 3.48% of their operating income, which was higher than the 3.30% proportion in 2022, but the investment growth declined to 5.38% from 8.42% in 2022.

Nine national joint-stock banks spent RMB65.24 billion on FinTech in 2023, with the proportion in operating income increasing from 3.91% in 2022 to 4.35%, while the growth rate slowed from 9.35% in 2022 to 6.84% in 2023.

Ten city commercial banks and rural commercial banks recorded a total FinTech/IT investment of RMB8.96 billion, averaging RMB0.90 billion for each bank, above the average of RMB0.80 billion in 2022.

Investment in FinTech/IT of the listed banks (Unit: RMB100 million), year-on-year growth, and proportion in operating income									
Listed banks	2021			2022			2023		
	Amount	Growth	Proportion in operating income	Amount	Growth	Proportion in operat-ing income	Amount	Growth	Proportion in operating income
ICBC	259.87	9.10%	2.76%	262.24	0.91%	2.99%	272.46	3.90%	3.23%
CCB	235.76	6.64%	2.86%	232.90	-1.21%	2.83%	250.24	7.45%	3.25%
ABC	205.32	12.20%	2.85%	232.11	13.05%	3.34%	248.50	7.06%	3.58%
BOC	186.18	11.44%	3.07%	215.41	15.70%	3.49%	223.97	3.97%	3.60%
BOCOM	87.50	23.60%	4.03%	116.31	32.93%	5.26%	120.27	3.40%	5.64%
PSBC	100.30	11.11%	3.15%	106.52	6.20%	3.18%	112.78	5.88%	3.29%
CMB	132.91	11.58%	4.37%	141.68	6.60%	4.51%	141.26	-0.30%	4.59%
IB	63.64	30.89%	2.88%	82.51	29.65%	3.71%	83.98	1.78%	3.98%
CITIC	75.37	8.82%	3.68%	87.49	16.08%	4.14%	121.53	38.90%	5.90%
PAB	73.83	2.40%	4.36%	69.29	-6.15%	3.85%	63.43	-9.24%	3.85%
CEB	57.86	12.35%	3.79%	61.27	5.89%	4.04%	58.15	-5.09%	3.99%
SPDB	67.06	17.34%	3.51%	70.07	4.49%	3.71%	69.65	-0.59%	4.02%
CMBC	45.07	21.75%	2.83%	47.07	22.48%	3.57%	59.87	27.19%	4.56%
HX	33.19	13.66%	3.46%	38.63	16.39%	4.12%	40.48	4.79%	4.34%
CBHB	9.45	68.75%	3.24%	12.60	33.33%	4.76%	14.00	11.11%	5.60%
BOB	23.20	5.45%	3.50%	24.52	5.69%	3.70%	30.02	22.43%	4.50%
BSH	18.53	19.63%	3.36%	21.32	15.06%	4.18%	24.42	14.54%	4.98%
BGY	3.06	Undisclosed	2.04%	3.58	16.99%	2.29%	3.14	-12.29%	2.08%
BCQ	3.36	27.76%	2.31%	3.84	14.29%	2.85%	4.80	25.00%	3.63%
BQD	0.40	-14.89%	0.36%	5.03	1,157.53%	4.32%	5.68	12.92%	4.55%
WHCCB	2.24	Undisclosed	2.92%	3.16	40.89%	3.81%	2.75	-13.05%	3.15%
BGS	2.11	0.48%	0.03%	2.60	23.19%	3.98%	1.98	-23.93%	2.97%
SRCB	8.83	22.30%	3.65%	9.95	12.68%	3.88%	11.35	14.05%	4.30%
DRCB	5.14	Undisclosed	3.95%	5.51	7.20%	4.16%	5.26	-4.47%	3.97%
WXRCB	0.09	-35.71%	0.20%	0.11	27.86%	0.25%	0.15	34.22%	0.33%
Total	**1,700.27**			**1,855.72**			**1,970.12**		

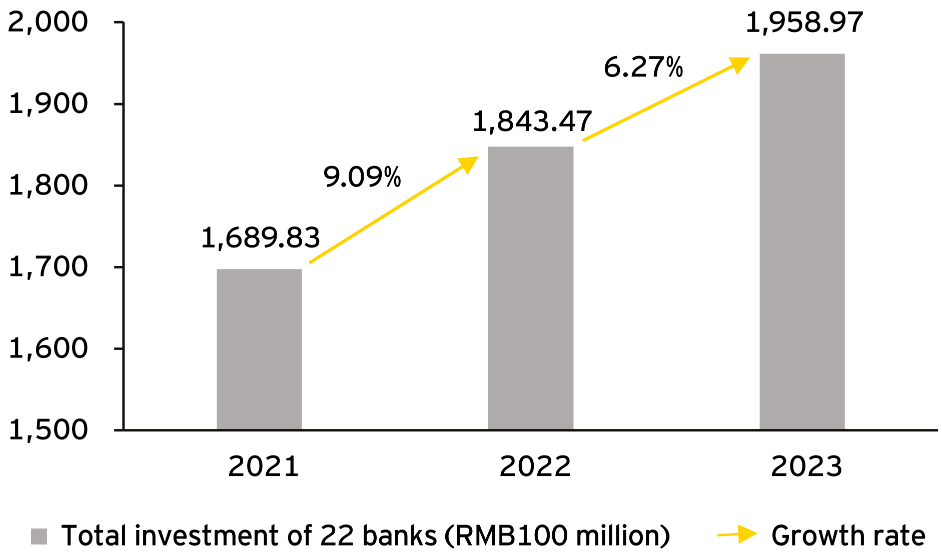
Source: The annual reports issued by the listed banks.

Data of BOCOM were disclosed at the bank level. BOCOM restated its FinTech investment in 2021 to include the rental fees for communication equipment and lines; BOB's 2021, 2022 and 2023 amount are calculated based on the operating income amounts and the proportion of technology investment in these years; BQD's 2021 amount is earmarked for the research and application of innovative technologies, and its 2022 amount is calculated based on 2023 amount and growth rate, and thus may not be comparable; WHCCB's 2021 data is calculated using the growth disclosed in 2022; The proportions in operating income of ICBC, CCB, ABC, BOC and BOCOM in 2022 are calculated based on their restated operating income.

For banks that disclosed the amount of FinTech/IT investment but not the proportion in operating income, the proportion is calculated based on the operating income data disclosed for the year. For banks that did not disclose their respective growth rate, the data are calculated.

This downward trend was even more clear when looking at the three-year performance from 2021 to 2023. Twenty-two listed banks disclosed their investment in FinTech/IT from 2020 to 2022, with the growth rate decreasing from 9.09% in 2022 to 6.27% in 2023, while the proportion in operating income rose from 3.11% in 2021 to 3.50% in 2022 and then to 3.76% in 2023.

FinTech/IT investment and growth rate of 22 listed banks in the past three years (2021-2023)



Source: Disclosures in the annual reports published for the years from 2021 to 2023 by some listed banks (the 22 listed banks that disclosed the amount of FinTech/IT investment in their annual reports for the three consecutive years). The 22 listed banks include six large banks, nine national joint-stock banks, five city commercial banks and two rural commercial banks.

Against the backdrop of a thriving digital economy, digital capability has become the listed banks' core competence for sharpening their competitive edge. Boasting large scale of assets and substantial amount of operating revenue, as well as nation-wide presence, large banks and national joint-stock banks are better positioned to leverage digital advantage and benefit at scale. Therefore, they have been the drivers of digital transformation and forerunners of outputting technological capability in the banking industry, affecting industry's digital ecosystem and formation of technological partnership. With continued investment and enhanced technological capability, the listed banks see their investment in technology grow at a steady pace, thus giving sharper focus to how technology and operations are integrated, how digital transformation improves quality and efficiency, and how to constantly deliver high-quality customer services.

For example, ICBC focused on a new business model featuring efficient and intensive operation and management to upgrade in-house services and better empower employees. CCB promoted lean management through digitalization, built a "CCB Cloud" service brand, and led the peers in terms of overall computing power and service capabilities. It advanced comprehensive operations to increase flagship and outlets equipped with comprehensive services as a percentage of total outlets by 2.86 percentage points, thus reducing the burden at essential outlets. CCB also enhanced cost management on all fronts, with a cost-to-income ratio reaching 28.20%, maintaining the leading position in the industry. PSBC deployed RPA (Robotic Process Automation) technology extensively to replace large-scale, repetitive manual tasks such as reading, report sending, exception alerts, and cost analysis in areas such as financial management, operational management, lending management. As at the end of 2023, the RPA robots had executed 2 million tasks, a year-on-year increase of over 15 times, effectively contributing to cost reduction and efficiency improvement. BOC accelerated construction of enterprise-level infrastructures, materializing capabilities such as accounting engines, basic pricing, customer-specific bargaining, restructuring basic financial products such as debit card, credit card, pension and bills and relevant services. It also upgraded the Group's integrated in-process AML system, sped up the construction of new technological platforms related to privacy computing and IoT, empowering both technological innovation and business development. BOCOM further integrated technology into business to build a new "Digital BOCOM" to improve service, efficiency and experience through digital transformation. It prioritized digitalized operating system for retail banking and carried on with integrated construction of the enterprise-level structure, middle office and product factory. BOCOM intensively explored business scenarios through digital thinking, seeing remarkable results in segments such as medical care, industrial parks, treasuries of central state-owned enterprises and interbank fund management.

Continued capability enhancement of tech talents

The listed banks are consolidating their talent pools for high-quality development and digital intelligent transformation in alignment with the advances in innovative technologies and digital transformation. They recruited high-end tech talents and developed internal high-caliber multi-disciplinary personnel by improving organizational structure, innovative work pattern, incentive and cultivation programs, so as to build a tech-savvy talent team equipped with business knowledge and management capabilities. Both the number and proportion of technology personnel in the listed banks continued to increase in 2023.

Twenty-seven listed banks disclosed the number of FinTech/IT personnel in their annual reports, which totaled over 144,200. Particularly, six large banks had a total of 94,891 IT personnel, increasing by 8.59% from 2022, and accounting for 5.14% of the group's total headcount, up 0.44 percentage point from 2022; seven national joint-stock banks had a total of 40,327 IT personnel, accounting for 9.54% of the group's total headcount, up 0.41 percentage point from 2022. All the city commercial banks and rural commercial banks had over a hundred of FinTech personnel, with BSH, BONB and ZYB owning more than a thousand of FinTech personnel.

ICBC had more than 36,000 FinTech/IT personnel, outnumbering all peers; and CCB, ABC, BOC, and CMB each had more than 10,000 FinTech/IT personnel by the end of 2023. Some banks' FinTech personnel increased by more than 30%, with BCQ reporting the fastest growth of 57.62%; BOCOM and ABC ranking second and third, at 33.30% and 31.22%, respectively; BQD at 30.20%. IB recorded the highest proportion of FinTech personnel at 13.91%, followed by CBHB, at 11.30%, and BSH at 10.75%.

Number of FinTech/IT personnel, growth and proportion in bank/group's total headcount of the listed banks

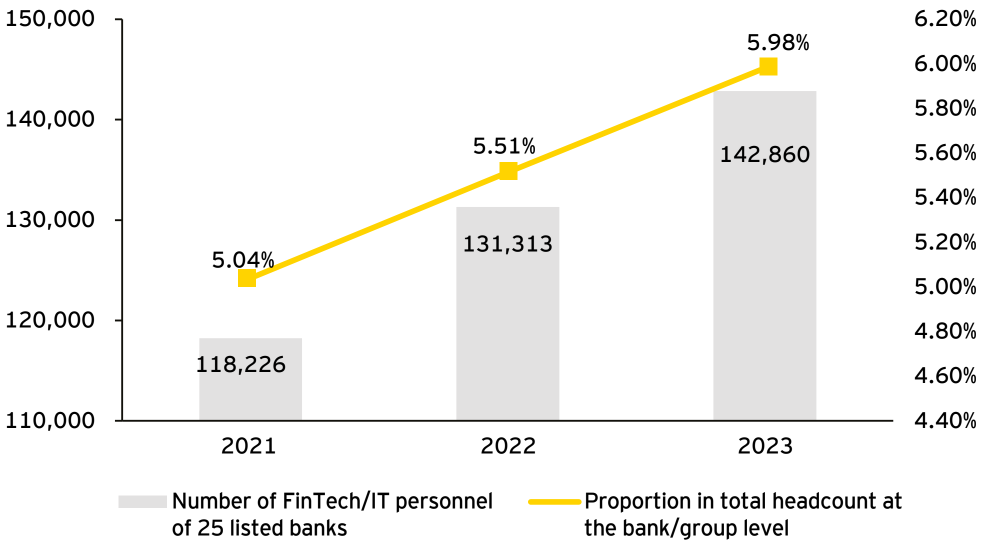
	2021			2022			2023		
	Number of personnel	Growth	Proportion	Number of personnel	Growth	Proportion	Number of personnel	Growth	Proportion
ICBC	35,000	-1.13%	8.10%	36,000	2.86%	8.30%	36,000	0.00%	8.60%
CCB	15,121	15.39%	4.03%	15,811	4.56%	4.20%	16,331	3.29%	4.33%
ABC	9,059	12.45%	2.00%	10,021	10.62%	2.20%	13,150	31.22%	2.90%
BOC	12,873	Undisclosed	4.20%	13,318	3.46%	4.35%	14,541	9.18%	4.74%
BOCOM	4,539	14.16%	5.03%	5,862	29.15%	6.38%	7,814	33.30%	8.29%
PSBC	5,350	19.10%	2.76%	6,373	19.12%	3.27%	7,055	10.70%	3.58%
CMB	10,043	13.07%	9.69%	10,846	8.00%	9.60%	10,650	-1.81%	9.14%
IB	3,303	41.70%	6.45%	6,699	102.82%	11.87%	7,828	16.85%	13.91%
CITIC	4,286	2.29%	7.73%	4,762	11.11%	8.40%	5,626	9.93%	8.41%
CEB	2,361	20.15%	5.11%	3,212	36.04%	6.75%	3,685	14.73%	7.74%
SPDB	6,428	9.71%	10.64%	6,447	0.30%	10.47%	6,425	-0.34%	10.58%
CMBC	3,062	16.65%	5.31%	4,053	32.36%	6.78%	4,559	12.48%	7.49%
CBHB	709	75.00%	7.32%	1,271	79.27%	9.57%	1,554	22.27%	11.30%
BOB	1,297	Undisclosed	7.52%	783	Undisclosed	4.74%	977	24.78%	5.50%
BONB	1,414	26.25%	6.17%	1,727	22.14%	7.11%	1,946	12.68%	7.44%
BSH	1,055	25.30%	9.05%	1,232	16.78%	10.14%	1,373	11.44%	10.75%
HSB	404	Undisclosed	3.79%	517	27.97%	4.62%	640	23.79%	5.51%
BGY	232	Undisclosed	3.99%	253	9.05%	4.30%	269	6.32%	4.50%
BCQ	141	6.02%	2.99%	151	7.09%	3.02%	238	57.62%	4.51%
BQD	220	Undisclosed	4.83%	245	11.37%	Undisclosed	319	30.20%	6.35%
LZB	140	8.53%	10.20%	144	2.86%	10.23%	149	3.47%	10.31%
BGS	116	3.57%	2.68%	138	18.97%	3.13%	149	7.97%	3.31%
ZYB	715	14.77%	Undisclosed	837	17.06%	4.27%	1,000	19.47%	5.31%
SRCB	484	29.41%	6.28%	715	47.73%	7.86%	818	14.41%	9.15%
CQRCB	440	19.89%	3.00%	522	18.64%	3.54%	603	15.43%	4.13%
DRCB	298	27.35%	3.74%	338	13.42%	4.20%	356	5.33%	4.50%
WXRCB	71	7.58%	4.36%	118	66.20%	7.00%	124	5.08%	7.20%
Total	**119,161**			**132,395**			**144,179**		

Source: The annual reports issued by the listed banks.

CITIC's data for 2023 is the number of technology personnel of the group, while data for 2022 and 2021 are the number of technology personnel of the bank; BOB's 2022 figure is the number of the bank's full-time IT personnel, while the 2021 figure is the total number of BOB's technology personnel and BOB-FINTECH's IT personnel; SPDB's figure is the number of technology development personnel of its parent company; CQRCB's data is calculated based on the proportion of IT personnel and the bank's total headcount disclosed for the year; BQD' data for 2022 is calculated based on its headcount and growth rate in 2023. For banks that disclosed the number of FinTech/IT personnel but not the proportion in the group/bank's total headcount, the proportion is calculated based on the total number of the group/ bank's employees disclosed for the year. For banks that did not disclose their respective growth rate, the data is calculated.

Twenty-five listed banks disclosed the number and proportion of FinTech/IT personnel for the three consecutive years from 2021 to 2023. Over the three years, the listed banks had steadily expanded their tech talent teams, with the proportion of FinTech personnel rising from 5.04% in 2021, to 5.51% in 2022 and to 5.98% in 2023.

Number and proportion of FinTech/IT personnel of 25 listed banks in 2021, 2022 and 2023



Source: Disclosures in the annual reports published for the years from 2021 to 2023 by some listed banks (the 25 listed banks that disclosed the number of FinTech/IT personnel in their annual reports for the three consecutive years). The 25 listed banks include six large banks, seven national joint-stock banks, eight city commercial banks and four rural commercial banks. The proportion of the technology personnel is the number of technology personnel as a percentage of the group/bank's total number of employees.

The listed banks expanded talent teams in 2023. For example, BOCOM pressed ahead with the plan of recruiting 10,000 tech talents, with the proportion of newly recruited graduates in science and engineering majors rising to 70% in 2023. BCQ focused on attracting professionals in fields such as artificial intelligence, data analysis, and information security, to continuously optimize expertise and skills of FinTech talents. The listed banks also strengthened the training and development of tech talents. For example, ICBC relied on the "Tech Elite" recruitment brand and the centralized training mechanism to upgrade basic FinTech functions to innovative R&D and marketing service support, and actively launched initiatives such as targeted support for IT talents, in an effort to build a top-notch tech talent team. CCB established a pool of FinTech talents with great potentials and organized talent camps.

Moreover, the listed banks enhanced cultivation of multi-skilled talents by encouraging them to obtain certificates and academic degrees. CCB, in collaboration with the University of Hong Kong, established the model of "Long-term domestic online training + Short-term overseas offline training" for 130 young business backbone personnel engaged in data analysis-related work from the Head Office and directly affiliated institutions. Upon completion of the course and assessment, participants could get a Data Analyst certificate accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. IB developed the role map and training and certification systems for sci-tech talents, such as BA (business analyst), UE (user experience) designers and low-code developers. It required all employees to complete the entire process of digital training from learning, test to assessment to develop high-caliber multi-disciplinary talents with a global view. CEB established a bank-wide certification and appointment mechanism for data analysts. Over 3,000 employees took the certification tests, with nearly 700 data analysts appointed to undertake duties.

In addition to intense effort in talent development, some listed banks further optimized organizational structures to expedite integration of business, technology and data, enhance cross-service line and cross-department collaboration, and improve productivity through technological innovation. For example, PSBC optimized and adjusted the organizational structure of the IT segment at the head office, renaming the Information Technology Management Committee under senior management as the FinTech Committee; restructured the Information Technology Management Department and the FinTech Innovation Department as the FinTech Department; renamed the Data Center as the Operations Data Center, to propel the transformation of the technology governance structure and strengthen the leading and coordinating role of information technology. GRCB established a top-down information technology management framework (consisting of the Board of Directors, senior management, the technology finance committee, the information technology risk management department and the FinTech departments). ICBC promoted the in-depth integration of data talent development and business development. It had 9,375 data analysts at the group level, and set up a flexible analyst team dedicated to "data + business + application" through events such as modeling competitions, data elites, cross-sector expertise exchanges, integration of industry, academia, and research, and systematic training and practice, to integrate data into business and empower business development. CCB carried out pilots of business-oriented IT product manager system, effectively advancing the agile collaboration and the integration of business and technology and improving the R&D efficiency and technological supports. CMBC also improved digital finance decision-making of the leading team, as well as agility of cross-departmental coordination.

A new phase of digital intelligent transformation enabled by large language models

From ChatGPT to Sora, the application of generative AI in financial sector has gained wide attention. These models are considered as the new productivity drivers of the banking sector, showing huge potential in processing financial texts, predicting market trends, conducting risk management, executing algorithmic transactions and improving customer service. Several major banks have started their work on large language model ("LLM") technology since 2022. In 2023, more listed banks, including city commercial banks and rural commercial banks, followed the steps of major banks to initiate research and practice, which achieved progress and breakthroughs in building financial LLMs and business scenarios.

In terms of the building of basic capabilities, CCB implemented "Project Fangzhou" to empower financial LLM capabilities, such as information summarization, inference and extension, text conversion, complex reasoning, and financial knowledge. Relying on the AI innovation laboratory, ABC accelerated the pre-research and incubation of LLM technology, adding functions such as response recommendation and auxiliary search to the customer service knowledge base. CMB introduced LLMs based on hundreds of billions of parameters, which was customized with CMB's corpus to optimize, train and adapt to bank-wise application scenarios. It also developed LLMs enabled by tens of billions of parameters for professional scenarios by actively tracking the technological advances in open-source LLMs. BOB and leading enterprises established the "Financial Intelligence Innovation Laboratory" to jointly explore the financial AI, and actively built the core capabilities of a new generation of financial AI driven by "large language models + small language models". In the pursuit of building "AI-driven commercial banks", on top of the self-developed "JingzhiBrain" LLM, it also introduced a variety of mainstream open-source LLMs.

In terms of the application of business scenarios, the listed banks are actively exploring scenarios such as intelligent investment and research, intelligent customer service, marketing assistance, knowledge Q&A, compliance review, smart risk control, auxiliary coding and automatic report generation.

For example, ICBC was the first among peers to apply LLM technology to scenarios such as customer service assistant, to support the multilingual services during big events such as the Chengdu FISU World University Games and the Asian Games Hangzhou. CCB rolled out basic financial LLM applications such as "Fangzhou" Assistant, "Fangzhou" Toolbox, and Vectorized Knowledge Base, supporting 25 business scenarios, such as automatic generation of intelligent customer service tickets, creative ideas and contents related to marketing, summaries and comments in investment research reports, customer visit records based on voice input, and due diligence reports of listed companies. PSBC made efforts in various areas including R&D testing, operational management, customer marketing and intelligent risk control. It developed the "R&D Assistant" to support the whole R&D process from requirement analysis to UI design, code generation and system testing, improving the efficiency of end-to-end R&D. It launched the emotional model for conversations and the "Smart Think Tank" service to better manage its official WeChat account, thus improving the ability of primary-level employees to accurately identify customers' needs. It developed "Intelligent Review Assistant" for intelligent risk control to improve the compliance and efficiency of statutory due diligence. In terms of consumer protection, it developed an intelligent model for classifying customer complaints based on LLMs, enabling automated statistical analysis and intelligent monitoring. BOC tapped into the application of LLM technology in scenarios such as internal knowledge services and auxiliary coding. BOCOM explored the application in office assistants and customer Q&As, etc., while CMB focused on the application in retail and wholesale business as well as in middle/back-offices. IB released ChatCIB with tens of billions of parameters, with a focus on vertical areas such as wealth, investment and reporting, and launched six types of digital assistants, of which the corporate finance product assistant achieved a Q&A accuracy rate of 90%; the research report summary assistant increased working efficiency by 54 headcount every year; the code generation assistant assisted the group R&D personnel in improving R&D efficiency, and improved the marketing capability and intelligent operation efficiency of remote banking. PAB applied LLM technology to scenarios such as retail loan approval, digital and intelligent upgrading of operation management, consumer complaints reduction and AI vehicle inspections for auto finance, to improve the availability of financial services. CMBC carried out application pilots in internal scenarios such as knowledge Q&A, code assistance, customer hotline services, office document writing, data analysis, and marketing copy. BOB used LLM technology in basic application scenarios such as publicity copy, intelligent weekly report, translation, work summary, meeting minutes, notice writing, code generation and code annotation. It deployed Q&A robots such as "BOC Investment Consultant", "Financial Report Assistant", "Operation Assistant", "Intelligent Customer Service", "Jingke Map", "Digital Currency Bank" and "BOB Research" for roles such as wealth management manager, front desk manager, customer manager, integrated teller, and remote customer service personnel, which substantially improved employees' work efficiency.

ZYB launched a "generative AI-enabled assistant" in 5 types of scenarios such as compliance, human resources, catering, process, and report analysis, creating a path for LLM application. SRCB established a technical framework consisting of AI abilities of awareness, cognition and decision-making, which have been applied to business scenarios such as identity recognition, intelligent customer service, intelligent marketing and intelligent risk control. It also saw remarkable achievements in the application of LLM technology to intelligent compliance systems.

The exploration and application of generative AI further promoted the innovation of listed banks' existing products, processes, operation and even business models, and brought new opportunities for transformation and development for the sector. Banks are rapidly transitioning from digital transformation to digital intelligent transformation as governments pushed the development of digital finance and digital transformation of the financial industry, which is highlighted by a series of regulations on generative AI.

Despite the bright application prospect of LLMs in the banking sector, there are some practical challenges, such as how to maintain data privacy and security, and how to improve the interpretability of models, accuracy of predictions, and ethical and legal protection. In the process of exploration and practice, the listed banks should echo the trend of technology, take into consideration practical scenarios and use cases, and place value creation at the core. They should pay attention to the following aspects:

Firstly, in terms of scenario building, the listed banks should select scenarios that align with their resource advantages and produce higher returns on investments based on overall strategy and phase of transformation. The listed banks should integrate AI technology with strategies suitable for business development, take into account the feasibility of technological applications and the balance between risks and return when creating their scenario map, use case map and implementation roadmap. Banks should say no to grandiose plans.

Secondly, in terms of platform construction, the listed banks should pay attention to the design and management of data annotation platform, training platform, prompt engineering tools and other platforms. They should avoid waste of technological resources or abuse of tools and platforms against the complex scenarios in the financial industry.

Thirdly, in terms of model application, the listed banks should consider the scope and mix of general LLMs, industry LLMs and small language models in various scenarios and use cases. They should conduct sufficient technical analysis following the trend of open-source LLMs, and fully consider such factors as costs, infrastructure and model performance, before authorizing the invocation or direct procurement of models.

Fourthly, in terms of data, as financial industry is highly professional, the listed banks should input massive high-quality data into LLMs to get accurate feedback. They should also establish a sound data governance and management mechanism, selecting appropriate data processing techniques and tools and improving computing facilities and the use efficiency of computing resources, to drive the maximum value creation of data elements and accumulate data assets. The latest initiatives and policies such as the three-year initiative of "Data Elements ×"(2024-2026) issued by the National Data Administration (NDA) in conjunction with 17 governmental departments such as the PBOC and the NAFR in December 2023, the Guiding Opinions on Enhancing the Management of Data Assets issued of the Ministry of Finance in January 2024 and the recently introduced Rules for Data Security of Banking and Insurance Institutions (Exposure Draft) are expected to boost the horizontal and vertical application of data elements, promote the efficient flow of financial data, public data and commercial data, support data sharing among financial institutions, accelerate the inclusion of data assets in the balance sheet and improve data security management.

Moreover, the listed banks should pay attention to the ethical and moral risks associated with AI technology, such as the authenticity of information, bias, and less consideration of the needs of the disadvantaged or the minority groups such as the seniors and the disabled. As part of their digital intelligence transformation, the listed banks are recommended to dynamically assess the performance in terms of technology ethics and seek improvement, if necessary, through education, training, and more thoughtful service and product design. The Interim Administrative Measures for Generative Artificial Intelligence Services issued in July 2023 highlights ethics and morality, data processing, and personal information protection of generative AI services, and provides guidance for the listed banks in addressing AI-related ethical challenges and risks. The listed banks should also prospectively assess potential risks of applying generative AI, and adopt scenario-specific mechanisms for data management, as well as for intellectual property and customer privacy protection, to ensure the accuracy of models.

Finally, some small- and medium-sized banks, due to small customer base and low marginal profit, might struggle to deploy technology resources required for digital intelligence transformation, which could further intensify industry fragmentation. Therefore, small- and medium-sized banks may consider alliances that build capabilities together and share costs in pursuit of digital intelligence.

Technology is the primary growth driver. Digital intelligent transformation requires long-term sustained efforts. By building and upgrading FinTech capabilities, the listed banks will be able to reinvent value creation, develop a fresh new development trajectory, create new productivity drivers, improve quality and efficiency of financial services, better serve the economy, and take solid actions in developing the Five Major Enablers.

07

Outlook

2024 marks the 75th anniversary of the founding of the People's Republic of China and stands as a pivotal year for achieving the goals and tasks outlined in the 14th Five-Year Plan. Looking ahead to 2024, the listed banks will remain under ongoing stress from transformation as they are continuously confronted with a complex and volatile global landscape compounding challenges and opportunities in a demanding domestic environment. In response, the listed banks should continue their efforts in serving the real economy while seizing the major opportunities from emerging productivity drivers, seek transformation while maintaining sound performance and driving growth, and support China's vision for standing out as a global financial powerhouse.

In 2023, China's economic growth rebounded and improved despite the head-winds, with GDP increasing by 5.2% year-on-year, reaching the target set at the beginning of the year. Entering 2024, domestic economy was off to a good start. In the first quarter of 2024, GDP grew by 5.3% as compared with the same period of 2023, an increase of 1.6 percentage points from the growth in the fourth quarter of the prior year. However, difficulties and challenges remain in economic operations, including bottlenecks in economic circulation, lower consumer confidence and sluggish private investment growth. From a global perspective, lagging effects of high interest rates in developed economies are felt, and 2024 is a global "super election year", brimming with political and economic uncertainties. Domestically, China's economy is expected to grow in a long-term favorable environment endorsed by solid fundamentals. The blueprint for a financial powerhouse of the Central Financial Work Conference points out a new direction for high-quality development of the banking industry, and banks are projected to embrace fresh opportunities for growth as new productivity drivers emerge from technological breakthroughs, innovative distribution of production factors, upgrading and adjustment of industrial structure and coordinated development of regional economy. The listed banks should be prepared to act on strategic opportunities for transformation and development.

Embrace the new era and forge new business drivers

In 2024, to adapt to the changes in internal and external environments, the listed banks should focus on the development of technology finance, green finance, inclusive finance, pension finance and digital finance (the "Five Finance Enablers"), while improving financial supply with higher quality and efficiency, and exploring a featured and differentiated approach to development. As high-quality development is industry consensus, the listed banks are increasingly focused on maintaining stable and sustainable growth. They continue to refine business structures, improve capital efficiency, and make steady progress with paced transformation, promoting balanced and stable growth and forging new business drivers built on technologies.

01 Embrace the Five Finance Enablers to improve service quality and efficiency

The Five Finance Enablers (i.e., technology finance, green finance, inclusive finance, pension finance and digital finance) and the Three Major Projects (construction of recreational facilities that can be easily converted into emergency structures, renovation of shantytowns, and building of affordable housing) highlighted at the Central Financial Work Conference are expected to be the major areas financially supported by listed banks. The listed banks should accelerate customer base expansion and product upgrading in the field of science and technology, and build a financial service system aligned to national tech strategies and adapts to the development of tech enterprises; formulate a strategy of financial sustainability and continue to deepen green financial services; expand the depth and breadth of inclusive finance through technological capabilities; accelerate offering of eldercare financial services; build on digital finance to promote digital intelligence transformation and enhance digitalized financial capability; and optimize capital supply structure to maximize push for high-quality economic development. Meanwhile, the listed banks should coordinate planning and implementation around the Five Finance Enablers, to provide customers with diversified financial products and services as well as comprehensive solutions featuring high adaptation, deep integration and fast delivery, improving the competitiveness and elevating the capacity of value creation. In addition, the listed banks should keep up with policy updates and agilely capture emerging opportunities and arenas, to continuously push forward the development of the Five Finance Enablers.

02 Forge new drivers for economic development by adjusting credit structureefficiency

The Central Economic Work Conference highlighted the need to revitalize existing funds and improve efficiency. As stated in the China Monetary Policy Report Q4 2023 (the "Report"), China's economic restructuring is accelerating, requiring high-quality credit supply. On the one hand, loans injected to new drivers continue to grow rapidly, and the proportion to total loans is rising stably. Currently, central bank's lending facilities have covered almost all the Five Finance Enablers. The PBOC will continuously guide financial institutions to ramp up support for major strategies, major areas and vulnerable areas to meet the financing demands for high-quality economic development. On the other hand, the existing loans and new loans are being structurally adjusted, banks are encouraged to focus on revitalizing less efficiently used financial resources. Currently, the RMB loans amounted to RMB230 trillion, 10 times the amount of new loans granted each year. Therefore, banks should pay more attention to the relationship between the total financing and compositions of loans as well as the relationship between existing loans and new loans. Revitalizing less efficiently used financial resources will enhance the operational efficiency of entities using such resources, injecting a new impetus to the high-quality economic development. The Report indicates political guidance to improving the efficiency of using funds, which will have positive implications for credit growth and asset structure adjustment of listed banks. With the transformation and upgrading of economic structure and the transition to new economic drivers, the efficiency of existing loans is expected to improve significantly, and the support of listed banks to the real economy will be more stable even if the credit growth remains the same.

03 Accelerate efforts to ride on the trend of digital transformation

The Central Financial Work Conference put forward new requirements for the high-quality development of digital finance. The listed banks should harness opportunities arising from digital revolution and accelerate digital intelligence transformation to enable growth. In-house actions include developing plans, optimizing organizational structure, and deepening integration of technology and business to improve transformational effectiveness. Efforts in provision of services to external parties include rebuilding channels, scenarios and services by deploying digital capacity and digital ecosystem to improve the quality and efficiency of serving the real economy. In particular, the progress in developing large generative AI models is expected to drive innovation around existing products and services, business processes, operational mode and business models. This implies that the listed banks are assigned a long-term task of continuously exploring the application of cutting-edge technologies and improving the quality and efficiency of digital enablement.

04 Improve segment-focused and differentiated services

The Central Financial Work Conference defined financial institutions' market niches that large state-owned financial institutions are encouraged to enhance strength and better play their roles in serving the real economy and maintaining financial stability, and that small- and medium-sized financial institutions should focus on local operations demonstrating their unique features. This high-level keynote will usher in rebuilding of the banking system that poses challenges to listed banks. Reforms often presents opportunities. Landscape restructuring and supporting policies will bring about prospects to each type of listed banks. The keynote was echoed by the Notice on Deepening Financial Services for Manufacturing to Promote New Industrialization that also put forward requirements specific to each type of banks. Looking ahead to 2024, the dominant position and leading role of large state-owned banks will be more prominent, supporting key areas and weak areas through coordinated allocation of financial resources across regions. Joint-stock banks should apply differentiated approaches and focus their services for the segments of the real economy and key areas. Small- and medium-sized listed banks should leverage on their geographic advantages and local connections and determine operational coverage based on their competitive edge, underlying strengths and strategies. They should persistently "serve urban and rural residents, SMEs and local economy" and contribute to the development of local industries, embarking on a journey of developing themselves by providing regional, featured and segment-focused services.

Forge ahead to embrace challenges and build up strengths to enhance resilience

Although the listed banks face new challenges requirements in terms of compliance, short-term performance, long-term development, risk prevention and adaptability to new policies amid tightening regulation and changing environment, they embrace opportunities to realize high-quality development with effective risk governance by extending services and striking a balance between growth and risk management.

Interest margin decline weighs on short-term operating income growth. The Central Financial Work Conference emphasized the move to optimize policies and expedite implementation, keep liquidity at reasonably adequate levels, and continuously decrease borrowers' financing costs. The LPR is expected to decline further in 2024. The return on assets of the listed banks remains on a downward trend due to factors such as LPR cuts, rate adjustments of outstanding housing loans, lackluster domestic demand, and the centralized arrangement of "rate cuts and repayment deferral" for supporting the disposal of local government debts. On the liability side, adequate liquidity can ease the pressure of seeing rising costs, which, however, is not enough to offset the lower returns on assets. With narrowing NIM, the net interest income may see slower growth. In addition, the growth of net fee and commission income remains to be squeezed by fee cuts in bank WMPs, distribution of insurance and fund products, as well as service fee reductions required by macro policies.

The listed banks should improve structures of customers, assets and liabilities through transformation, develop innovative products and services to meet the diverse needs of customers, and act as intermediaries to address financial and non-financial needs of customers and business partners and build an ecosystem that benefits every party, with an aim to increase transactions, open up markets and create value to diversify and stabilize revenue streams.

Continue to prevent and defuse risks in key exposures and improve comprehensive risk management

In 2024, global economic operations are grappling with various challenges - the Federal Reserve's monetary policies disrupt asset prices worldwide; the US and Russian elections and geopolitical tensions increase capital market volatility; and restructured international industrial productions have impacts on trade structure. Risks associated with these implications are likely transmitted to the banking industry through capital chain, supply chain and industrial chain, thus requiring the listed banks to strengthen risk management. From a domestic perspective, China's economic operation is changing gears for growth, seeing rapidly evolving risk characteristics across industries, such as prolonged adjustment period of real estate sector, increased debt burden in some regions, noticeable risks of certain small- and medium-sized financial institutions, and deteriorating quality of retail loans. Emerging risks are increasingly complicating risk profiles. Thus, the listed banks need to capitalize on their technological capability to strengthen risk identification, assessment and response, enhance control at the source, focus on key areas, adopt effective approaches to managing risks, and improve operational resilience.

01

At real estate sector, adjustment period has yet to end as it still witnesses failures at a small number of real estate enterprises racked by high leverages, unprofitable regional projects and slow sales, indicating downgrades of banks' outstanding real estate loans. In addition, banks are expected to be exposed to rising risks of real estate sector when implementing the "three requirements on real estate loans" (Specifically, the growth rate of real estate loans of the bank is not lower than the average growth rate of real estate loans in the banking industry; the growth rate of corporate loans to non-state-owned real estate enterprises is not lower than that of the bank's total loans to real estate sector; and the growth rate of personal mortgage loans for non-state-owned real estate enterprises is not lower than that of the bank's total mortgage loans). So it is important for the listed banks to well balance policy implementation, profitability and risk management.

02

Some local governments are heavily burdened with high debt ratios, facing mounting pressure of repaying principal and interest. In recent years, regulators have repeatedly called for financial institutions to reasonably address LGFVs' difficulties through loan extension or restructured loans, develop targeted plans to defuse the risk of outstanding debts, and strictly control issue of new loans. These measures may effectively contain risks of local government debts in the short run, but it should be coupled with a long-term risk prevention and resolution mechanism addressing local government debts substantially in the medium and long run.

03

Quality of retail loans shows sign of deterioration, particularly evidenced by increased credit card NPLs. In response, the listed banks should strengthen "know-your-customers" (KYC), increase FinTech application, tailor risk models, and improve credit card business capabilities.

04

In addition, new types of risks, such as climate change risks and risks from FinTech application relating to compliance, data privacy, ethical matters, cybersecurity, model and outsourcing, all require banks' sharper focus.

The listed banks should also improve their ability to solve problems while driving growth and implement effective risk management to ensure efficient interaction between high-quality development and high-level risk governance. They need to continuously deepen the reform of comprehensive risk management system by creating a sound long-term mechanism of internal control and compliance, and improve the effectiveness and efficiency of traditional risk management while enhancing overall resilience to emerging risks, building a robust line of defense in operations.

Heightened regulation and compliance requirements: Under the new financial regulatory framework, heightened regulation will be the keynote for a span of time going forward. The NFRA pointed out at its 2024 Work Conference that regulation must be harnessed as "sharp-edged weapon" to ensure compliance; put in place the long-term risk resolution mechanism for financial institutions, and ensure that all parties (financial institutions, shareholders, senior management, regulators, local authorities and the industry stakeholders) perform respective duties; closely monitor "key matters", "key persons" and "key behaviors" and ensure stringent enforcement; enhance supervisory coordination of central and local regulators that undertake shared responsibilities and deal with issues with concerted actions; and expedite the effort to enforce accountability with full coverage. It is foreseeable that the listed banks see tightening regulation over the industry in 2024. On the positive side, the listed banks will benefit from issuance and implementation of new regulations, such as Rules on Capital Management of Commercial Banks, the Rules on Operational Risk Management of Banking and Insurance Institutions, and the Rules for Country Risk Management of Banking Institutions, which help banks comprehensively strengthen the ability to predict and control risks, standardize business operations, improve capital efficiency and digital capability of risk control, and enhance data management and information security.

Looking ahead, the listed banks are entrusted with multiple missions for the remainder of 2024 - support the implementation of macroeconomic policies and the development of real economy while accelerating their own transformation and growth. They need to adhere to the principle of long-term sustainability, focus on their primary responsibilities and businesses, and implement balanced management of aggregate volume and structure, scale and profits, short-term and long-term goals, focused areas and big picture, and development and security, with an aim to realize integration of stable operation, proactive transformation and sustainable growth. The listed banks also need to promote innovation, transform digitally based on AI capability, and grow together with customers by providing distinctive financial services. With such foresights and solid execution, can the listed banks realize their own value in serving the real economy and write a new chapter along the journey of supporting China's initiative toward becoming a global financial powerhouse.

Appendix: Comparison of key operating indicators of leading global banks

The world has experienced subdued economic growth amid geopolitical tensions disrupting global financial markets and subsequent trade-related restrictive measures, and major economies are suffering high inflation and squeezed liquidity. Against this backdrop, China's listed banks adopted proactive and forward-looking approaches to risk management and continued to improve asset quality, continuously reducing provisions for impairment losses. In contrast, the leading global banks had to increase such provisions to withstand headwinds from economic slowdown and rising asset risks. And affected by USD interest rate hikes, the majority of these banks reported a higher proportion of net interest income in operating income, but the net profits were divergent.

In recent years, the Chinese banking industry has seen a slight rise in proportion of loans in total assets, declining net interest income, and increases in aggregate deposit balance and deposits as a percentage of total liabilities. For leading global banks, net interest income and its proportion in total operating income have risen in varying degrees, while the proportion of loans in total assets, the deposit balance and deposits as a percentage of total liabilities have declined.

The global banks are faced with some common challenges posed by tightening global economic cycle, and regional economic performance, severe geopolitical tensions, and elevated trade frictions, among other impacts. To address these challenges, banks will need to properly define their top-level strategies and priorities and improve capabilities in risk management and crisis response.

We selected 10 leading European and American banks and analyzed the key financial indicators comparatively based on the three-year annual report disclosures of these banks.

Profitability

	ROA			ROE			Net profit growth		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Bank of America	1.05%	0.88%	0.84%	12.23%	10.75%	9.75%	78.71%	-13.92%	-3.68%
Citibank	0.94%	0.62%	0.38%	11.50%	7.70%	4.30%	98.66%	-32.20%	-37.18%
JP Morgan	1.30%	0.98%	1.30%	19.00%	14.00%	17.00%	65.92%	-22.05%	31.52%
Wells Fargo	1.14%	0.72%	1.02%	12.30%	7.80%	11.00%	549.89%	-43.79%	42.24%
HSBC	0.50%	0.50%	0.80%	7.10%	9.00%	13.60%	140.91%	10.59%	51.14%
Barclays	0.52%	0.41%	0.70%	13.10%	10.40%	9.00%	186.71%	-15.35%	-10.88%
Standard Chartered	0.30%	0.40%	0.40%	4.20%	6.00%	7.20%	207.99%	25.46%	19.30%
Deutsche Bank	0.18%	0.39%	0.35%	3.40%	8.40%	6.70%	302.24%	125.46%	-13.55%
Santander	0.62%	0.63%	0.69%	9.66%	10.67%	11.91%	225.23%	5.70%	13.40%
BNP	0.39%	0.39%	0.11%	10.00%	10.20%	10.70%	33.24%	8.01%	11.30%

	Net interest income growth			Net interest income/Total operating income			Cost-to-income ratio		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Bank of America	-0.98%	22.19%	8.52%	48.18%	55.25%	57.75%	67.03%	64.71%	66.79%
Citibank	-5.04%	14.53%	12.81%	59.11%	64.60%	69.97%	67.04%	68.08%	71.84%
JP Morgan	-4.13%	27.53%	33.81%	43.00%	51.84%	56.46%	58.65%	59.16%	55.14%
Wells Fargo	-10.45%	25.63%	16.52%	45.58%	60.92%	63.41%	68.58%	77.63%	67.27%
HSBC	-3.95%	14.68%	17.84%	53.46%	60.01%	54.19%	69.87%	64.60%	48.55%
Barclays	-0.60%	30.96%	20.21%	36.80%	42.36%	50.08%	66.81%	67.04%	66.72%
Standard Chartered	-0.79%	11.69%	2.32%	46.24%	46.53%	43.12%	74.31%	66.88%	64.10%
Deutsche Bank	-3.22%	22.37%	-0.35%	43.90%	50.16%	47.10%	84.63%	74.93%	75.12%
Santander	4.30%	15.73%	12.00%	71.91%	74.10%	75.04%	46.15%	45.80%	44.10%
BNP	-0.25%	9.24%	-8.96%	43.96%	45.95%	41.54%	67.30%	66.80%	46.40%

	Profit before tax			Credit impairment losses			Total profit before provision		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Bank of America*	33,976	30,969	28,342	-4,594	2,543	4,394	29,382	33,512	32,736
Citibank*	27,469	18,807	12,910	-3,778	5,239	9,186	23,691	24,046	22,096
JP Morgan*	59,562	46,166	61,612	-9,256	6,389	9,320	50,306	52,555	70,932
Wells Fargo*	29,563	15,629	21,636	-4,155	1,534	5,399	24,661	16,503	27,035
HSBC*	18,906	17,058	30,348	-928	3,584	3,447	17,978	20,642	33,795
Barclays**	8,194	7,012	6,557	-653	1,220	1,881	7,761	8,232	8,438
Standard Chartered*	3,347	4,286	5,093	254	836	528	3,601	5,122	5,621
Deutsche Bank***	3,390	5,594	5,678	515	1,226	1,505	3,905	6,820	7,183
Santander***	14,547	15,250	16,459	7,407	10,863	12,956	21,954	26,113	29,415
BNP***	13,637	13,214	11,725	2,971	3,003	2,907	16,435	16,217	14,632

* Presented in USD million.
** Presented in GBP million.
*** Presented in EUR million.

Assets and liabilities

	Asset growth			Loan growth			Loans as % of assets		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Bank of America	12.41%	-3.74%	4.22%	5.52%	6.80%	0.76%	30.89%	34.27%	33.13%
Citibank	1.39%	5.47%	-0.20%	-1.20%	-1.70%	4.84%	29.14%	26.49%	27.83%
JP Morgan	10.60%	-2.08%	5.72%	6.40%	5.14%	16.61%	28.79%	30.44%	33.58%
Wells Fargo	-0.25%	-3.44%	2.74%	0.87%	6.79%	-2.21%	45.96%	50.13%	47.71%
HSBC	-0.88%	-0.29%	3.03%	0.55%	-9.85%	2.28%	38.55%	34.86%	34.60%
Barclays	2.58%	9.35%	-2.39%	4.62%	10.12%	0.18%	26.53%	26.71%	27.04%
Standard Chartered	4.91%	-0.95%	0.36%	4.77%	2.04%	-5.20%	42.10%	43.38%	40.97%
Deutsche Bank	-0.10%	0.97%	-1.83%	9.72%	2.27%	-2.08%	37.04%	37.52%	37.43%
Santander	5.81%	8.70%	3.60%	5.94%	6.51%	0.03%	62.39%	59.72%	57.67%
BNP	5.87%	1.20%	-2.71%	0.67%	6.45%	-0.69%	31.72%	33.36%	34.09%

	Liability growth			Deposit growth			Deposits as % of liabilities		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Bank of America	13.85%	-4.18%	3.97%	14.98%	-6.50%	-0.34%	71.20%	69.48%	66.60%
Citibank	1.40%	6.04%	-0.42%	2.85%	3.70%	-4.19%	63.06%	61.67%	59.33%
JP Morgan	11.08%	-2.20%	5.16%	14.83%	-4.96%	2.59%	71.38%	69.37%	67.67%
Wells Fargo	-0.52%	-3.36%	2.72%	5.56%	-6.64%	-1.87%	84.33%	81.47%	77.83%
HSBC	-1.01%	0.47%	2.97%	5.04%	-9.64%	2.92%	65.85%	59.22%	59.20%
Barclays	2.46%	9.91%	-2.69%	7.98%	5.07%	-1.28%	39.52%	37.79%	38.33%
Standard Chartered	4.99%	-0.68%	0.34%	8.02%	-2.80%	1.42%	61.22%	63.70%	64.40%
Deutsche Bank	-0.56%	0.68%	-2.13%	6.29%	2.93%	0.09%	48.07%	49.15%	50.26%
Santander	5.78%	9.23%	3.41%	8.13%	11.66%	3.71%	61.27%	62.64%	61.86%
BNP	5.94%	1.16%	-2.71%	1.77%	5.30%	-1.94%	38.13%	39.69%	38.15%

Capital adequacy level

	Core Tier-1 CAR			Tier-1 CAR			CAR		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Bank of America	10.60%	11.20%	11.80%	12.10%	13.00%	13.50%	14.10%	14.90%	15.20%
Citibank	12.25%	13.03%	13.37%	13.91%	14.80%	15.02%	16.04%	15.46%	15.13%
JP Morgan	13.10%	13.20%	15.00%	15.00%	14.90%	16.60%	16.80%	16.80%	18.50%
Wells Fargo	11.35%	10.60%	11.43%	12.89%	12.11%	12.98%	15.84%	14.82%	15.67%
HSBC	15.80%	14.20%	14.80%	18.50%	16.60%	16.90%	20.00%	18.70%	19.60%
Barclays	15.10%	13.90%	13.80%	19.10%	17.90%	17.70%	22.20%	20.80%	20.10%
Standard Chartered	14.10%	14.00%	14.10%	16.60%	16.60%	16.30%	21.30%	21.70%	21.20%
Deutsche Bank	13.20%	13.40%	13.70%	15.70%	15.70%	16.10%	17.80%	18.40%	18.60%
Santander	12.51%	12.18%	12.30%	14.24%	13.63%	13.70%	16.81%	15.99%	16.40%
BNP	12.90%	12.30%	13.20%	14.05%	13.89%	15.28%	16.40%	16.20%	17.30%

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