Embracing the Five Major Areas

China Banking Review 2023

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Welcome to China Banking Review 2023

This report analyses 38 listed banks, representing around 61.94% of the total assets and 81.26% of the net profits of the commercial banks in China. They fall into three categories:

Large commercial banks (6)

- Industrial and Commercial Bank of China
- Agricultural Bank of China
- China Construction Bank
- Bank of China
- Postal Savings Bank of China
- Bank of Communications

Joint-stock commercial banks (8)

- China Merchants Bank
- Industrial Bank
- China CITIC Bank
- China Minsheng Bank
- China Everbright Bank
- Ping An Bank
- China Zheshang Bank
- China Bohai Bank

City commercial banks and rural commercial banks (24)

- Bank of Ningbo
- Huishang Bank
- Zhongyuan Bank
- Bank of Tianjin
- Harbin Bank
- Bank of Chongqing
- Bank of Zhengzhou
- Bank of Qingdao
- Bank of Guizhou
- Jiangxi Bank
- Bank of Jiujiang
- Weihai City Commercial Bank
- Bank of Gansu
- Jinshang Bank
- Luzhou Bank
- Shengjing Bank
- Chongqing Rural Commercial Bank
- Guangzhou Rural Commercial Bank
- Dongguan Rural Commercial Bank
- Changshu Rural Commercial Bank
- Jilin Jiutai Rural Commercial Bank
- Wuxi Rural Commercial Bank
- Bank of Ruifeng
- Jiangyin Rural Commercial Bank

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In 2023, global economic growth was sluggish, with divergent rates of recovery across economies. Although China’s economy has shown stable performance with good momentum after resuming normal development, it is still facing new pressures. The banking industry, confronted with challenges to profitability and to risk and capital management, is exerting great efforts in the Five Major Areas (see page 8).

This report analyses 38 A-share and/or H-share listed banks (see the list on the left for details) that had disclosed their 2023 annual reports as of 10 April 2024. Unless otherwise specified, the banks are listed according to their audited asset size as of 31 December 2023. All data is sourced from public information such as annual reports. Cash values are in Renminbi.

For more information or to discuss the development of China’s banking industry with us, please contact your business contact at PwC, or our financial services team listed in the appendix to this report.

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Table of contents

Overview and Outlook

The banking industry exerts great efforts in the Five Major Areas

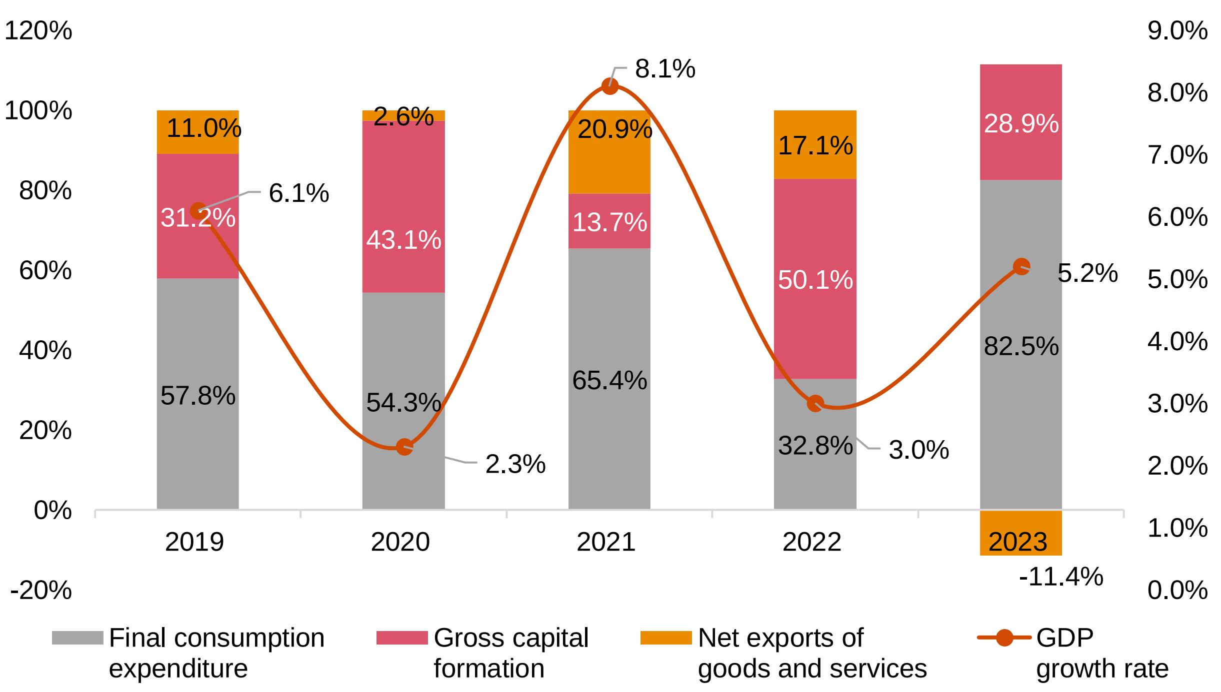
Overview:

In 2023, global economic growth was sluggish, with divergent recovery in different economies due to escalating geopolitical conflicts. Growth in developed economies slowed noticeably, while emerging economies performed steadily. Global inflation eased while debts continued to grow. Major economies maintained interest rate hikes. The US Dollar index remained highly volatile in the context of high interest rates.

Over the past year, China's economy resumed normal development. As macroeconomic adjustment and control efforts were stepped up, the national economy recovered at a good pace. China's Gross Domestic Product (GDP) grew by 5.2% YoY, totaling more than RMB 126 trillion. Amid a fall in overseas inflation, the domestic Consumer Price Index (CPI) rose by 0.2% YoY, and the industrial Producer Price Index (PPI) fell by 3.0% YoY. The RMB exchange rate fluctuated but remained basically stable.

Focusing on China's three major growth drivers, consumption of services accelerated in 2023, which further amplified its role in driving economic growth. The contribution of final consumption to economic growth was 82.5%, up sharply from 32.8% in 2022, making it the primary driver of growth. Due to a sluggish global economic recovery and slower growth in export demand, the contribution of net exports of goods and services to economic growth was -11.4%, negative for the first time in the last five years. The contribution of gross capital formation to economic growth was 28.9%, down from 50.1% in 2022, but it still played a key role in stabilising growth (Figure 1).

Figure 1: Annual YoY GDP growth rate and the effect of three major drivers of economic growth



Source: National Bureau of Statistics, PwC research

China's banking industry focusses efforts on Five Major Areas

The Central Financial Work Conference held in October 2023 called for greater efforts in: FinTech, Green finance, financial inclusion, pensions and digital finance ("the Five Major Areas"). Following the requirements of the Conference, China's banking industry optimised credit structure, strengthened financial product and service innovation according to customers' requirements and continued to introduce concessions. All these efforts aim to provide high-quality financial services, while listed banks, as the major players to the financial sector, have played a crucial role in stabilising economic growth.

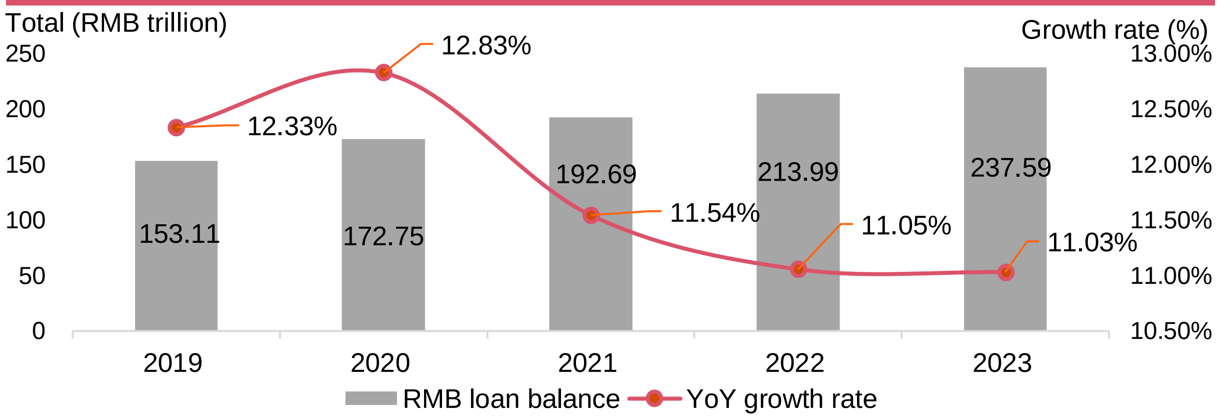
To maintain reasonable and abundant liquidity and to amplify monetary and credit support for the economy, PBOC cut the RMB reserve requirement ratio (RRR) for financial institutions by 0.25 percentage points in both March and September 2023, releasing more than RMB 1 trillion of long-term liquidity. PBOC adheres to a prudent monetary policy: it has increased market liquidity through RRR cuts, medium-term lending facility (MLF) and open market operations. In Q4 2023, the net financing of government bonds hit a record high, with the centralised issuance of an additional RMB 1 trillion of treasury bonds.

China's broad money (M2) supply increased by 9.70% YoY by the end of 2023, down from 11.80% in 2022. Aggregate social financing increased by 9.50% YoY. By the end of 2023, RMB loan balances stood at RMB 237.59 trillion, a steady increase from RMB 213.99 trillion at the end of 2022. As the banking industry has increased credit support for key areas, the growth rate for inclusive medium- and long-term loans, green loans for micro and small businesses, and loans for small and medium-sized technology and manufacturing businesses was significantly higher than the average growth of loans overall.

By the end of 2023, the loan prime rates (LPR) for 1-year maturity and longer than 5-year maturity fell to 3.45% and 4.20% respectively – down by 0.20 and 0.10 percentage points YoY, and thus driving down the cost of social financing. According to PBOC statistics, the weighted average interest rate of corporate loans was 3.88% in 2023, 0.29 percentage points lower YoY and the lowest since statistics were kept. The market-based adjustment mechanism for deposit interest rates continued to function. Major banks cut deposit interest rates in June, September and December 2023 to sustain financial support for the real economy.

To support a healthy real estate market, the policy on mortgage rates was further optimised. According to PBOC statistics, as of Q4 2023, more than RMB 23 trillion of outstanding mortgages had enjoyed interest rate cuts. The weighted average interest rate fell to 4.27%, with an average reduction of 0.73 percentage points. The interest rate on new mortgages also continued to fall. In 2023, the interest rate on new mortgages was 4.10% - 0.75 percentage points lower YoY.

Figure 2: Trend of year-end RMB loan balances



Source: PBOC, PwC research

Strengthening financial regulation to improve risk management

The Central Financial Work Conference held in October 2023 also highlighted the importance of a strong financial sector which lays down a foundation to strengthen the centralised and unified leadership of the CPC Central Committee. It was stressed at the meeting that China will remain committed to the path of financial development with Chinese characteristics and comprehensively strengthen financial regulation. In March 2023, the CPC Central Committee and the State Council printed and issued the Plan on Reforming Party and State Institutions. According to the Plan, a central commission for finance and a central committee for financial work will be established to strengthen the CPC Central Committee's centralised and unified leadership over financial work; a national financial regulatory administration will be set up to deepen reform of local financial regulatory mechanisms under the leadership of local branches of the central financial administration department.

Over the past year, risks in key areas were further addressed and resolved. Financial regulators have strengthened the monitoring and assessment of financial risks and reinforced the construction of systems and mechanisms to facilitate the proper handling of risks in key regions and institutions. The finance sector took measures for both supply and demand, optimised policies related to real estate finance, progressively resolved the debt risks of local government platforms and handled risks of small and medium-sized financial institutions in a timely manner.

On 1 November 2023, National Financial Regulatory Administration (NFRA) issued the Rules on Capital Management of Commercial Banks, which took effect on 1 January 2024. The document has further improved the capital regulatory standards of commercial banks, promoted stronger risk management at banks and improved the quality and efficiency of serving the real economy. According to this document, NFRA will leverage capital requirements to guide banks' resource allocation and asset composition. They will be encouraged to serve the real economy and achieve high-quality development, thus providing strong financial support for China's modernisation.

At present, China's banking industry is running stably, and major financial institutions are robust. Financial regulators are expected to formulate more forward-looking, targeted, effective and synergistic policies and measures to manage financial risks in key areas such as real estate, local government debt and small and medium-sized financial institutions.

Profit growth has slowed, while risks remain

In 2023, China's banking sector witnessed a slowdown in profit growth due to insufficient demand, credit risks in real estate, and local government debt. Banks continued to face other challenges, including credit risk and capital management.

With the continued decline in growth, the net profits of the 38 banks surveyed increased by 1.59% YoY. Profits before provisions decreased by 3.21%.The average ROA and weighted average ROE of the 38 listed banks declined. Affected by declining loan yields, rising deposit costs and further concessions, net interest spread (NIS) and net interest margins (NIM) continued to narrow.

In 2023, the total assets of the banks amounted to RMB 258.48 trillion, representing an increase of 11.46% YoY – in line with 11.59% growth in 2022. The banks maintained growth in customer loans, which grew to RMB 147.94 trillion – up RMB 14.84 trillion or 11.15% from 2022.

Regarding asset quality, NPL balances at the end of 2023 amounted to RMB 1.93 trillion – up 8.02% from the end of 2022. Due to an increased loan balance, the NPL ratio decreased to 1.29%, down by 0.04 percentage points YoY. Real estate NPLs continued to rise. Due to the rise in total assets, the provision-to-loan ratio decreased, while the provision coverage ratio continued to increase.

By the end of 2023, total liabilities amounted to RMB 237.81 trillion, up by RMB 24.92 trillion or 11.71% from the end of 2022. Customer deposits stood at RMB 182 trillion, with the growth rate falling from 12.55% to 10.85%.

In 2023, overall refinancing slowed down and there were still challenges in capital replenishment. Overall CAR still under pressure. By the end of 2023, the CAR of large commercial banks had declined, while that of joint-stock and city & rural commercial banks both saw slight increases.

Outlook: Major challenges for thebanking sector

In 2024, amid escalating geopolitical tensions, the global economic recovery was still slow with economies diverging in their recovery. The IMF's latest *World Economic Outlook* forecasts a global economic growth rate of 3.2% for 2024 and 2025. That for developed economies is expected to slightly accelerate, while that for emerging markets and developing economies is anticipated to slightly decelerate. There is still uncertainty regarding the monetary policies of developed economies.

The year 2024 marks the 75th anniversary of the establishment of the People's Republic of China and is a crucial year for achieving the goals of the 14th Five-Year Plan. China has set its annual economic growth target at around 5%. Its economic work has continued to follow the principle of "seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old". The country has advanced the construction of a modern industrial system and accelerated the development of new quality productive forces. Fiscal policy will remain active, emphasizing a moderate increase in strength, quality and efficiency; monetary policy will remain prudent, focusing on flexibility and moderation, precision and effectiveness.

The banking sector will focus on modernisation, high-quality development, serving major national strategies, coordinating regional development, and advancing efforts in the Five Major Areas. It will optimise credit structure, strengthen financial product services and innovation, and support new quality productive forces.

Future major challenges for the banking sector include:

- **Rise to the challenge of narrowing NIM; reduce costs arising from liabilities; expand profitability through multiple channels.** Banks will continue to face challenges, such as narrowed NIM and declining commission fee income for a considerable period. In this context, banks should manage their liabilities across different cycles, optimise liability-side structure, and strive to reduce liability-side costs. At the same time, banks should aim to improve management efficiency and reduce management costs, while adopting a differentiated development strategy through innovative products, services, models, and management.

- **Optimise credit structure and integrate industry and finance.** As China's economy enters a stage of high-quality development, banks should optimise their asset structure and credit allocation, focusing on FinTech, Green finance, financial inclusion, pensions and digital finance. For the first three areas, banks can deepen their involvement based on existing investments and optimise their strategy. At the same time, banks should integrate resources to explore pensions and digital finance. China is at a critical period of industrial transformation. Banks should support the expansion of effective demand and promote the integration of industry and finance by adjusting credit structure, thereby better serving the real economy.

- **Refine capital management.** The banking sector should be ready for the implementation of new Capital Rules, should improve capital management and capital adequacy assessment, and strengthen its resilience to risks. Global systematically important banks (G-SIBs) should also actively prepare to meet the requirements for additional capital and Total Loss-absorbing Capacity (TLAC).

- **Strengthen risk control.** To prevent and resolve risks in key areas such as real estate and local government debt, banks need to deepen their risk management capabilities. They should control asset quality, strengthen corporate governance, and establish sound internal controls and compliance mechanisms. Banks must prevent systemic financial risks.

- **Integrate new forms of industrial development.** Given developments in fields such as artificial intelligence and new energy, banks should advance reforms in areas including bank operations and strategic development.

- **Small and medium-sized banks should innovate services and promptly handle risks.** Based on their clear strategic positioning of serving the local area, banks should differentiate from the competition and improve performance in financial inclusion, with a focus on the quality of their own development. They should also strengthen their digital risk controls, speed up restructuring and optimise resource allocation.

- **Explore digital transformation and leveraging of data assets.** Banks should tap the potential of data and promote applications for data circulation and trading. They should explore the integration of the data market with finance, and combine data resources with the development of green and transitional finance.

- **Continue to support green, low-carbon development.** Banks should implement "peak carbon and carbon neutrality" goals, disclose information on sustainable development. They should enrich their green financial products and services offerings, strengthen management related to climate change, and deepen their understanding of and response to climate risks.

The banking sector should continue to implement strategies to support new quality productive forces. It should conduct in-depth research on industrial policies, development trends, business models, and risk characteristics of various key areas, and accelerate the construction of a sustainable business model. Banks are required to allocate resources to serve effective demand, ensure the livelihood of the people, and contribute to the construction of a nation with a strong financial sector.

Operational Performance

1. Net profit growth fell, and profit before provision declined

In 2023, the overall net profit of the banks surveyed increased 1.59% YoY. This slower growth rate was due to factors such as the slowdown in the growth of interest income. Profit before provisions decreased by 3.21% YoY. Expected Credit Loss (ECL) allowance decreased by 8.40% - 2.94 percentage points lower than last year.

The NPL ratio continued to decline, impairment provision pressure eased, and ECL allowance decreased YoY.

The net profit of large commercial banks continued to grow, increasing by 2.63% YoY, while profit before provision decreased by 2.16%. The net profit of joint- stock commercial banks declined by 0.74% YoY. Profit before provisions fell by 4.57%.

Failing to maintain the high growth rate of 2022, the net profit of city & rural commercial banks fell by 2.17% in 2023. Profit before provisions decreased by 8.09% YoY. Performance varied significantly among these banks. Those in the Yangtze River Delta continued to see growth in overall profits, while there was a downward trend in Northeast China and the Pearl River Delta. City & rural commercial banks in central and western China were polarised.

Figure 1: Net profit and profit before provision growth of large commercial banks

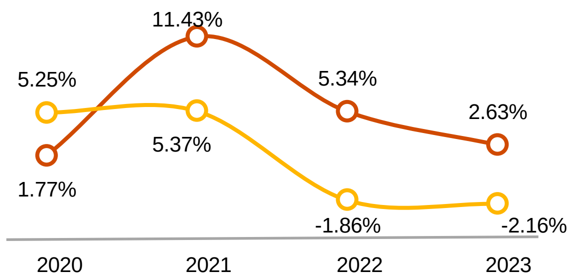


Figure 2: Net profit and profit before provision growth of joint-stock commercial banks

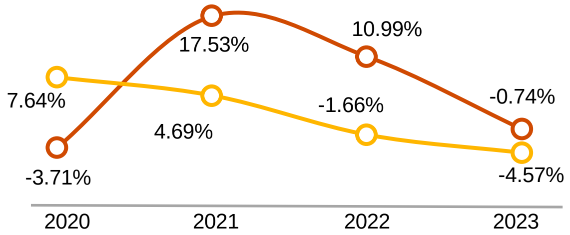


Figure 3: Net profit and profit before provision growth of city and rural commercial banks

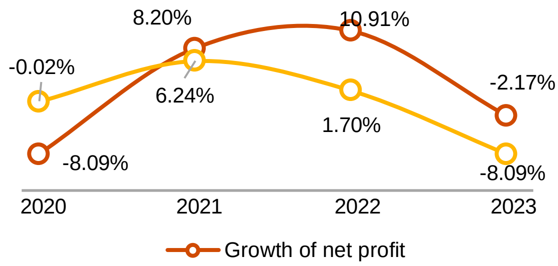
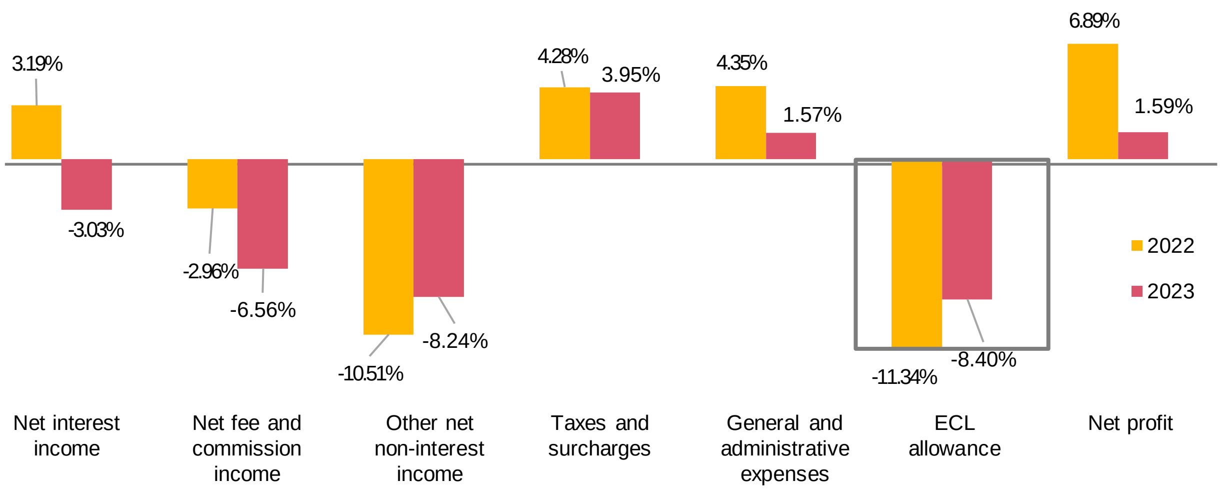


Figure 4：Changes in the income statement



*Other non-interest net income includes: investment income, gains or losses from fair value changes, exchange gains or losses, other operating incomes and expenses, etc.

2. Profitability was diverging, with an overall downward trend

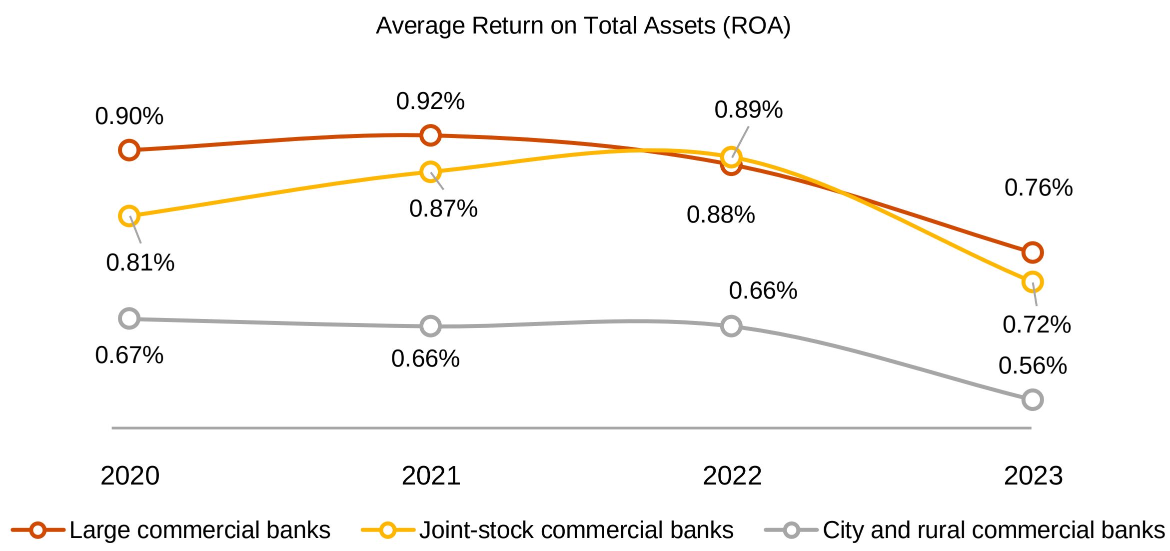
In 2023, the average ROA and weighted average ROE of the 38 banks declined, mainly influenced by the slowdown in profit growth and the continued growth in assets.

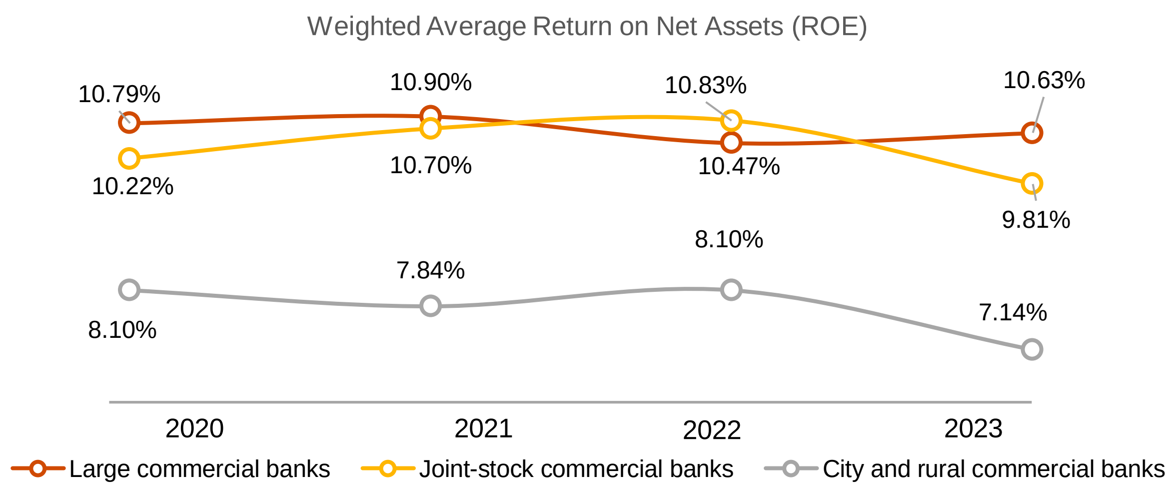
Both ROA and ROE of the large commercial banks were higher than the sector average. Assets continued to grow, but NIM declined. Although net profit saw a slight increase, it was significantly less than the growth rate in assets, thus leading to a fall in ROA. ROE remained stable or even slightly increased.

The net profits of joint-stock commercial banks decreased, while total assets grew by 7.9% YoY. Both the ROA and ROE saw significant declines.

The ROA and ROE of city & rural commercial banks decreased by 0.10 and 0.96 percentage points respectively from the end of 2022.

Figure 5: Profitability indicators





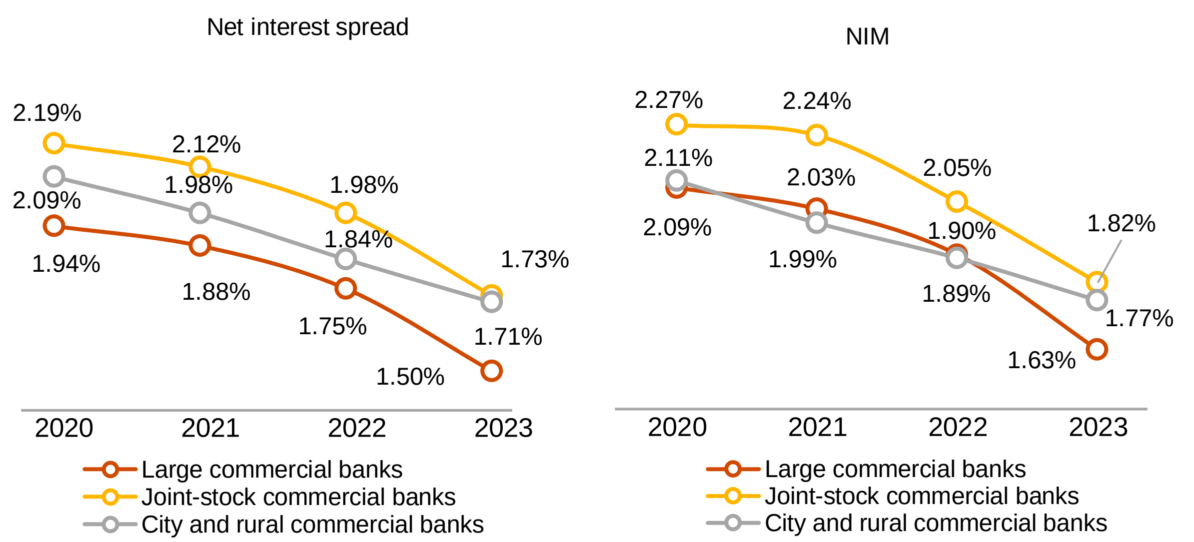
3.Net interest spread and NIM continued to narrow

In 2023, the NIS and NIM of listed banks further narrowed due to factors such as the decline in loan yields and the increase in deposit costs. The continuous narrowing of NIM is a common issue faced by China's banks, as it repeatedly hits new lows. According to the National Financial Regulatory Administration, the average NIM stood at 1.69% in Q4 2023, another record low.

The NIS and NIM of the six large commercial banks narrowed by 0.25 and 0.27 percentage points respectively. For joint-stock commercial banks, the two indicators narrowed by 0.25 and 0.23 percentage points respectively. For city & rural commercial banks, the two indicators narrowed by 0.13 and 0.12 percentage points respectively.

"Continuous optimisation of the asset and liability structure" has become a key phrase in many banks' annual reports in 2023. NIS and NIM can often reflect the operational characteristics of each bank. Despite different operational strategies, when banks face narrowing NIS and NIM, and consequent falls in the growth of net interest income, they primarily rely on increased lending to drive revenue growth. Adjusting customer, business and asset structures, and transitioning towards an 'asset light' model, has become a key direction for some banks.

Figure 6: Trends in NIS and NIM



4. Both interest income and non-interest income dropped significantly

In 2023, the revenues of 38 listed banks decreased by 4.09% YoY to RMB 5.17 trillion, representing a significant decline in the growth rate YoY from 0.62% in the last year.

Net interest income decreased by 3.03% to RMB 3.92 trillion. To address the downward pressure on NIM, banks have taken different approaches. With a relatively high CAR, large commercial banks have optimised asset structure and maintained rapid growth in credit. However, downward pressure on NIM has not weakened. By contrast, due to capital constraints and other factors, joint-stock commercial banks and city & rural commercial banks saw sluggish growth in credit.

In the last two years, China has strengthened cross-cyclical and counter-cyclical policy adjustments. Banks have implemented fee reductions and profit concessions. In addition, as wealth management products (WMPs) declined, capital markets fluctuated and regulation became stricter, fee income from wealth management, underwriting and consulting declined. In 2023, net fee and commission income was 1.41% lower than the previous year. Large commercial banks saw this fall by 1.41%, joint-stock commercial banks by 13.54% and city & rural commercial banks by 28.94%.

Affected by the fluctuations in the stock and bond markets, other net non-interest income decreased by 8.24% YoY. For large commercial banks, it decreased by 20.48% YoY, while for joint-stock and city & rural commercial banks there was a rebound.

Against the background of narrowing NIS and NIM, commercial banks need to embrace an 'asset light' model and improve their intermediary business to create income growth.

Figure 7: Growth in net interest income

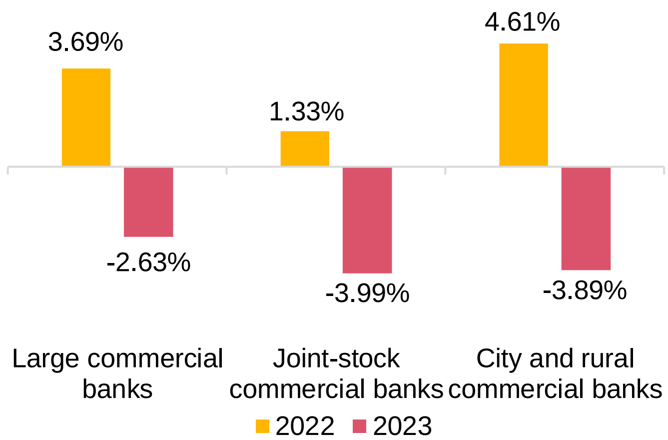


Figure 8: Growth in net fee and commission incomee

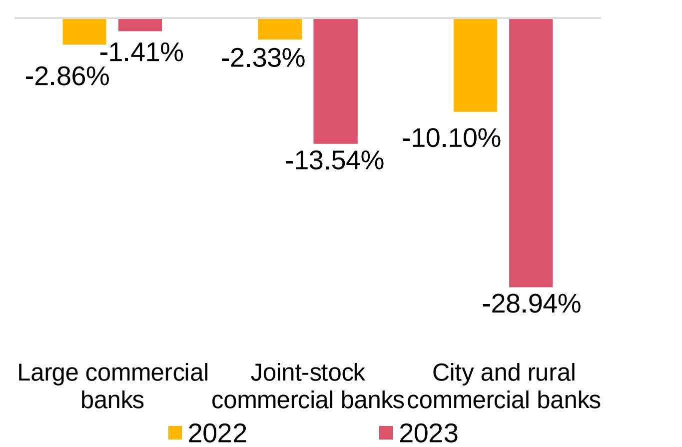
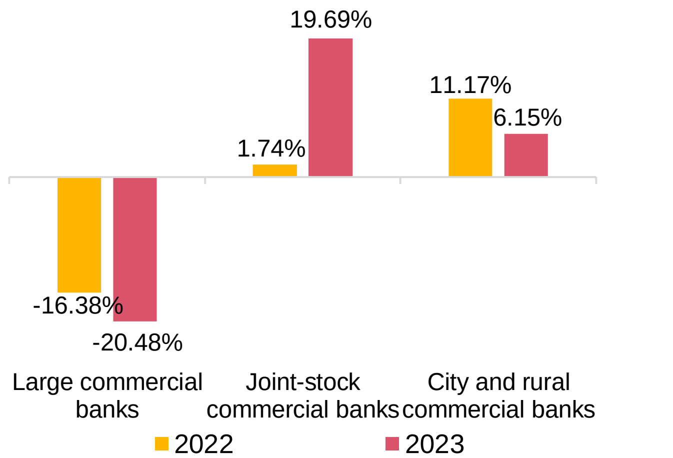


Figure 9: Growth in other net non-interest income



5. Fee and commission income reduced, and growth potential needs to be explored

After a period of high growth, the fee and commission income of the 38 listed banks started to decline in 2022 and further decreased by 4.94% in 2023. That was mainly due to the 20% and 12% decreases in income from wealth management and underwriting respectively. The structure of fee and commission income remained unchanged.

The fee income of large banks remained stable, with nearly 70% of total fee income secured from settlement & clearing, bank cards, agency and wealth management services. Except for wealth management services, fee income rebounded or remained stable.

The bank card business contributed nearly 30% of fee income for joint-stock commercial banks. Wealth management services, agency and settlement & clearing has a roughly equal share, followed by guarantee, commitments, custody and underwriting consulting. Except for a slight increase in income from settlement & clearing, the fee income from all other businesses decreased.

Income from agency services accounted for 40% of the fee and commission income for city & rural commercial banks – a decrease of 18% from 2022. Except for a slight increase in settlement & clearing and custody, the income from other businesses decreased. In the future, city & rural commercial banks will have opportunities to increase income from diverse services.

With narrowing NIM, intermediary business has become more competitive between banks. This fierce competition caused a YoY decrease. In this context, banks need to provide more innovative financial products and distinctive services to meet the full range of market needs. They need to develop the potential of intermediary business.

Figure 10: Proportion of fee and commission income in large commercial banks

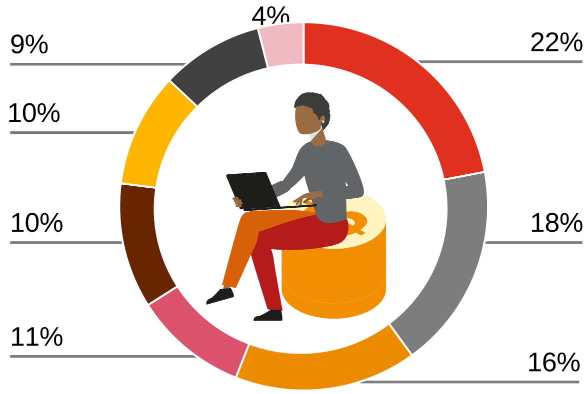


Figure 11: Proportion of fee and commission income in joint-stock banks

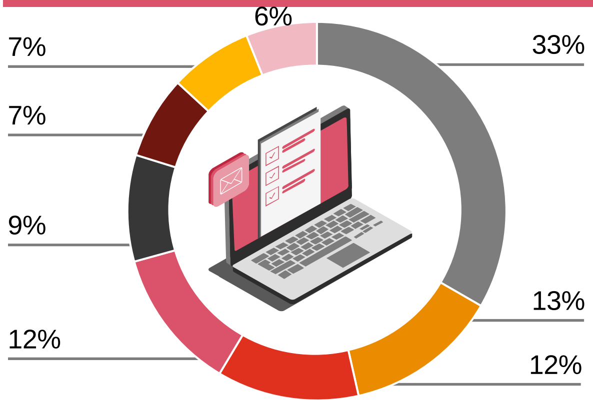
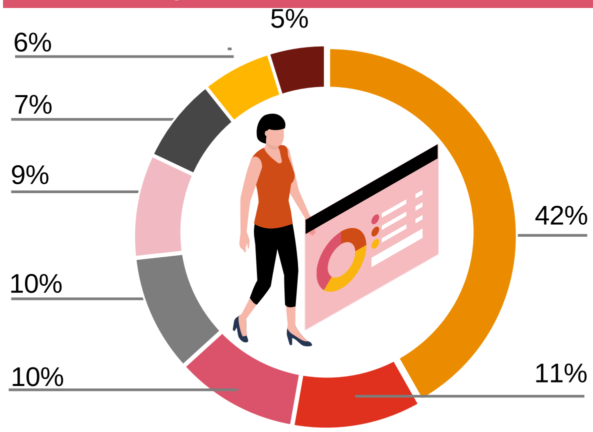


Figure 12: Proportion of fee and commission income in city and rural commercial banks



- Agency
- Settlement & clearing
- Wealth management services
- Bank cards
- Guarantee commitments
- Custody
- Underwriting consulting
- Others

Asset Portfolio

1. Total assets grew steadily and the asset structure remained stable

In an increasingly complex global economic environment, China's economy stepped up with high-quality development.

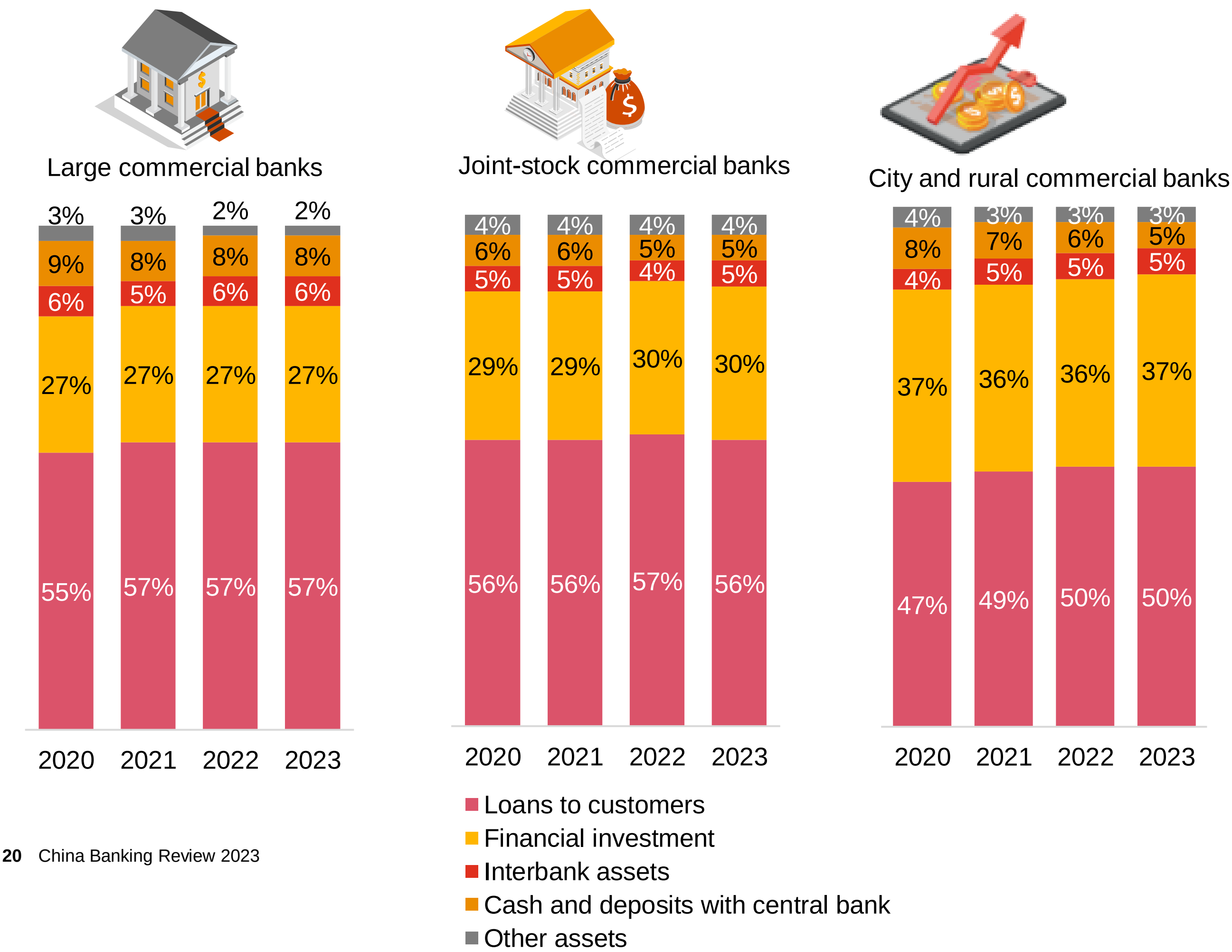
The total assets of the 38 banks amounted to RMB 258.48 trillion, representing an increase of 11.46% YoY – in line with the growth rate of 11.59% in 2022. Large banks led the way with a 12.81% increase in assets while joint-stock commercial banks and city & rural commercial banks saw 7.90% and 9.02% increases respectively.

Banks of all types had few changes in their asset structure. Loans to customers accounted for the largest share of their assets, followed by financial investment.

Table 1: Changes in total assets

Total assets	2020	2021	2022	2023
Scale (RMB trillion)				
Large commercial banks	135.14	145.47	164.09	**185.11**
Joint-stock commercial banks	44.00	47.54	51.11	**55.15**
City and rural commercial banks	13.45	14.82	16.71	**18.22**
Total	**192.59**	**207.83**	**231.91**	**258.48**
YoY increase				
Large commercial banks	9.61%	7.65%	12.80%	**12.81%**
Joint-stock commercial banks	11.14%	8.06%	7.51%	**7.90%**
City and rural commercial banks	11.40%	10.15%	12.74%	**9.02%**
Total	**10.08%**	**7.92%**	**11.59%**	**11.46%**

Figure 13: Changes in the asset structure



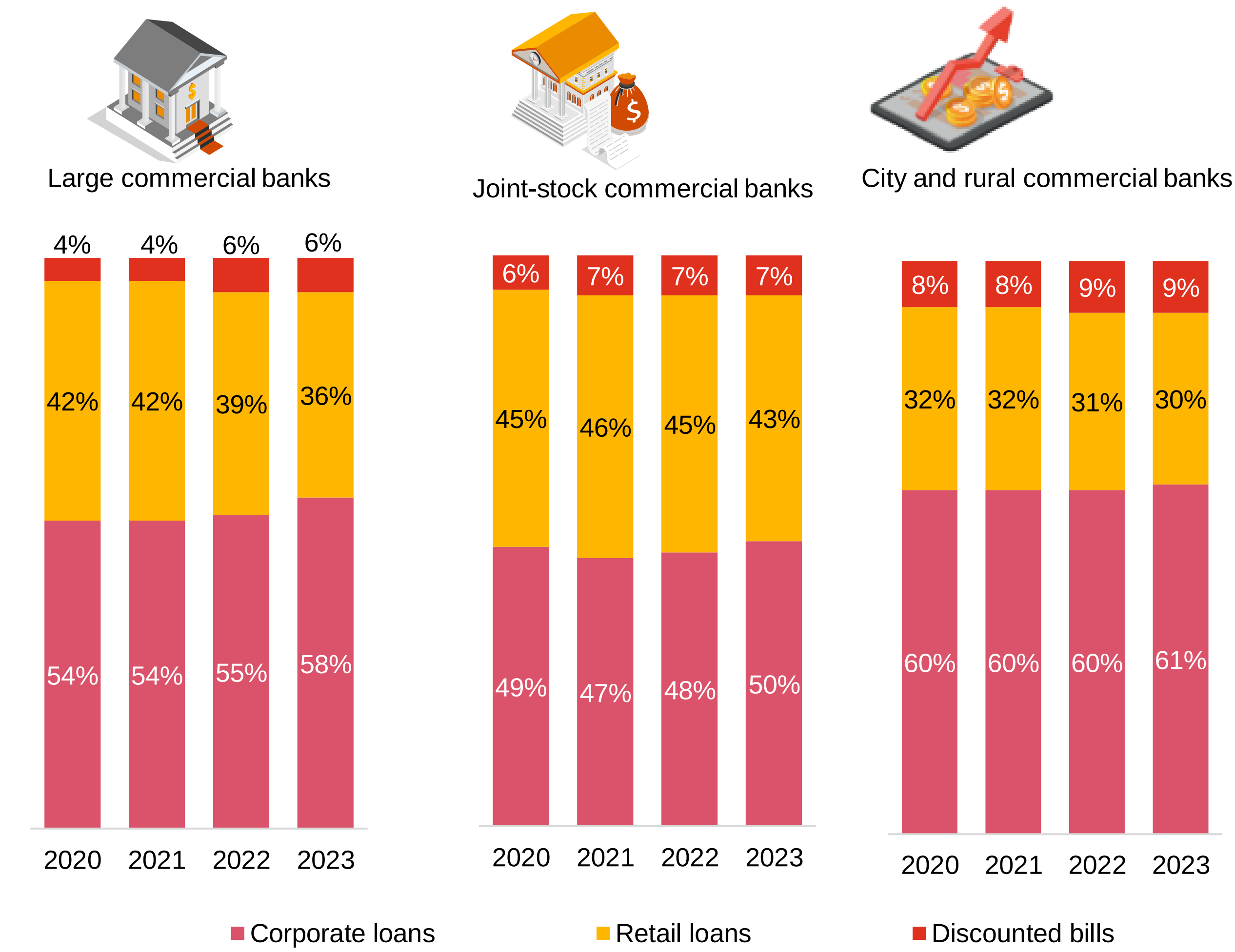
2. Total loans to customers were growing steadily and the interest rate of loans was at a historically low level

In 2023, listed banks continued to grow lending. The balance of customer loans grew to RMB 147.94 trillion, an increase of RMB 14.84 trillion or 11.15% from 2022. The large commercial banks achieved the highest growth of 12.80%, followed by city & rural banks and joint-stock commercial banks with 8.36% and 6.68% respectively.

Loan structure remained steady. Corporate loans increased by 16.07% - up 2.39 percentage points as a share of the total; retail loans increased by 5.12% - down 2.15 percentage points as a proportion; discounted bills increased by 6.88% - down 0.24 percentage points.

The weighted average interest rate of loans was at a historically low level. According to the China Monetary Policy Report released by the PBOC in the fourth quarter of 2023, the weighted average interest rate for loans issued in December 2023 fell by 0.31 percentage points YoY to 3.83%. This lowered social financing costs and strengthened financial support for the real economy.

Figure 14: Change in the loan structure



3. More efforts were made to support inclusive loans to small and micro businesses, green development, manufacturing industry and technology innovation

In 2023, banks issued more loans to customers to support China's major strategies, key areas and other areas in need of support.

According to the PBOC's statistics, the balance of inclusive loans to small and micro businesses reached RMB 29.4 trillion in 2023, increasing by 23.5% YoY. Large commercial banks had a balance of RMB 11.53 trillion of inclusive loans, increasing by 35% YoY, while joint-stock commercial banks had a balance of RMB 3.79 trillion, increasing by 16% YoY.

	2022 Balance of inclusive loans to small and micro businesses (RMB 100 million)	2023 Balance of inclusive loans to small and micro businesses (RMB 100 million)	2022 YoY increase	2023 YoY increase
Large commercial banks	85,339	115,349	32%	35%
Joint-stock commercial banks	32,541	37,854	21%	16%

*The table was prepared based on the statistics from listed banks, not from the PBOC. As some city and rural commercial banks didn't disclose their balance of inclusive loans to small and micro businesses in their annual reports, the table only shows the inclusive loans to small and micro businesses of large commercial banks and joint-stock commercial banks.

According to the PBOC's statistics, the balance of green loans reached RMB 30.08 trillion in 2023, increasing by 36.5% YoY. Large commercial banks had a balance of RMB 17.90 trillion of green loans, increasing by 43% YoY, as they gave their strong support to related economic policies. Joint-stock commercial banks had a balance of RMB 2.67 trillion of green loans, increasing by 34% YoY.

	2022 Balance of green loans (RMB 100 million)	2023 Balance of green loans (RMB 100 million)	2022 YoY increase	2023 YoY increase
Large commercial banks	125,451	178,953	45%	43%
Joint-stock commercial banks	19,887	26,682	48%	34%

*The table was prepared based on the statistics from listed banks, not from the PBOC. As some city and rural commercial banks did not disclose their balance of green loans in their annual reports, the table only shows the green loans of large commercial banks and joint-stock commercial banks.

According to the China Monetary Policy Report released by the PBOC in the fourth quarter of 2023, medium and long-term loans to the manufacturing industry, to high-tech manufacturing, to medium and small technology businesses and to businesses that specialise in niche sectors increased by 31.90%, 34.00%, 21.90% and 18.60% respectively. The growth rate of these loans outperformed the growth rate of loans overall. Banks have been improving their support to manufacturing and technology innovation. Loans for the manufacturing sector increased by 22% YoY.

In 2023, banks continued to increase their support for the real economy. Among the loans issued, those to support the production and supply of electricity, gas and water grew fastest. Loans to the wholesale and retail industry increased 19.14% YoY, supporting the development of small and micro businesses; the growth in loans for the real estate sector slowed, falling as a proportion of corporate loans.

Table 2: Corporate loans growth rate of listed banks by industry

Industry	By the end of 2022 (RMB trillion)	By the end of 2023 (RMB trillion)	2022 Proportion	2023 Proportion	2022 Growth	2023 Growth
Leasing and business services	11.94	14.63	17.15%	17.91%	16.00%	22.55%
Manufacturing	11.88	14.46	17.07%	17.70%	18.75%	21.68%
Transportation, warehousing and postal services	12.07	13.59	17.35%	16.65%	11.18%	12.63%
Real estate	6.37	6.55	9.15%	8.02%	5.36%	2.81%
Water conservancy, environmental and public facilities management	5.85	6.74	8.41%	8.25%	14.91%	15.06%
Production and supply of electricity, gas and water	5.59	7.08	8.04%	8.67%	11.37%	26.63%
Wholesale and retail	4.66	5.55	6.70%	6.80%	15.95%	19.14%
Subtotal (others)	11.22	13.07	16.12%	16.00%	19.14%	16.49%
Total corporate loans	**69.58**	**81.67**	**100%**	**100%**	**14.54%**	**17.37%**

4. Retail loans grew stably and consumer finance growth picked up

In 2023, the total retail loans of the banks surveyed reached RMB 55.49 trillion, a YoY increase of 5.12%. In term of loan structure, mortgages accounted for the largest proportion of retail loans. However, due to the sluggish real estate market and early repayments, the scale of mortgages fell by 2% YoY. Their share of total retail loans decreased by 4 percentage points from last year.

Banks have supported the development and growth of small and micro businesses. In 2023, business loans rose by 25% YoY, and their proportion has been increasing.

With China's economy picking up as policies to boost consumption have been released, the domestic consumer market has recovered, with domestic demand continuing to improve. In 2023, the proportion of consumer loans rose, with the balance increasing by 24% YoY.

Figure 15: Changes in the retail loan structure

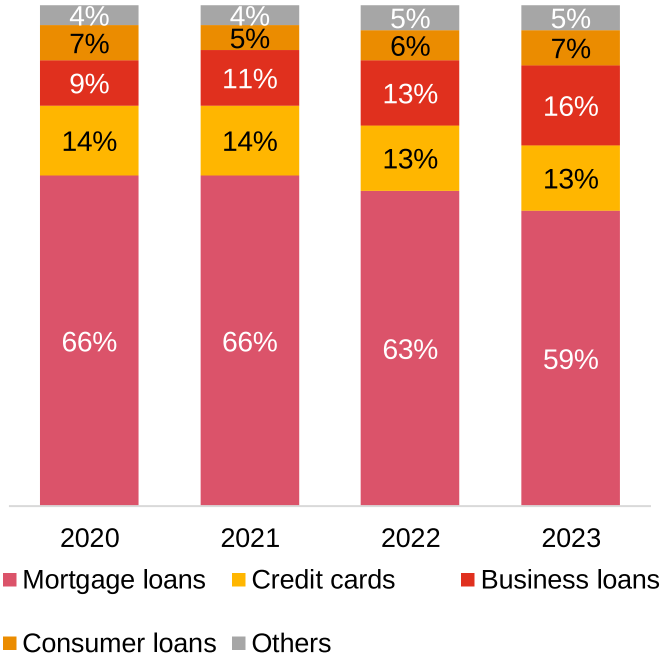


Table 3: Retail loans

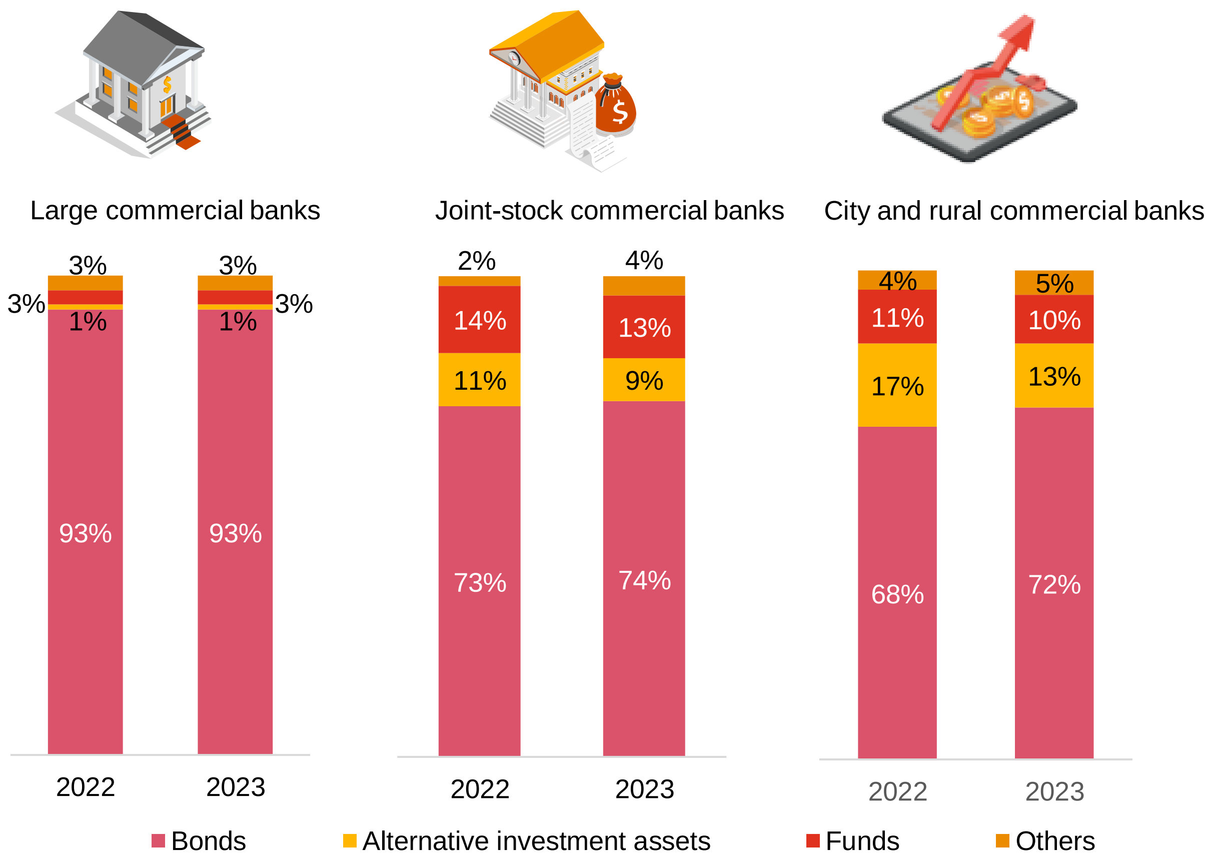
	By the end of 2022 (RMB 100 million)	By the end of 2023 (RMB 100 million)	2022 Growth	2023 Growth
Mortgage loans	331,172	326,015	0%	-2%
Consumer loans	31,525	39,062	15%	24%
Business loans	69,837	87,268	30%	25%
Credit cards	68,905	70,725	1%	3%
Others	26,422	31,840	17%	21%
Total	527,861	554,910	5%	5%

5. Financial investment structure remained stable, while the scale of bonds was expanding

In 2023, the banks surveyed increased their financial investments, though the composition remained steady, with bonds as the main financial asset.

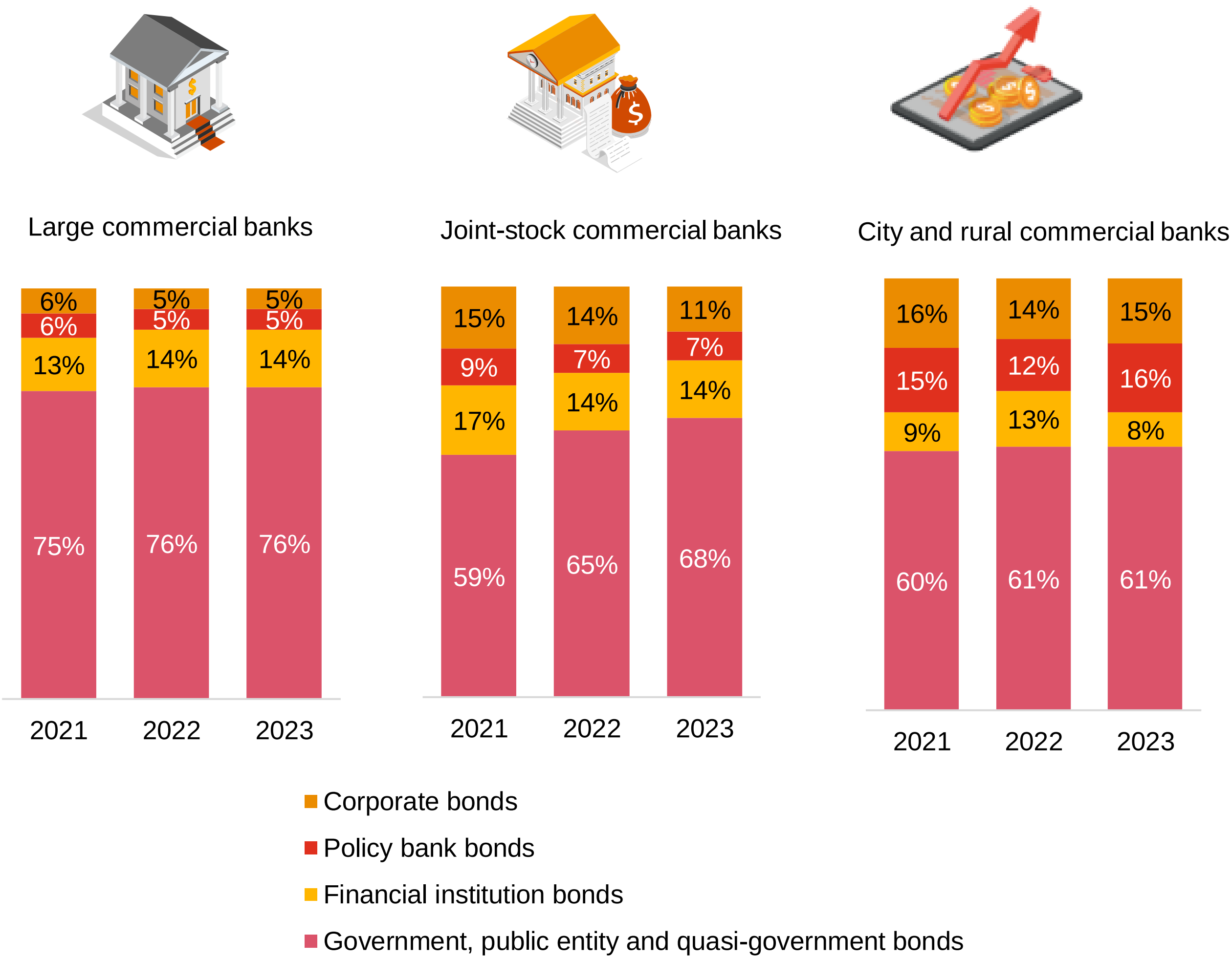
For large commercial banks, the proportion of bonds in the financial investment structure reached over 90%, the highest of the bank categories. By the end of 2023, large commercial banks had a balance of RMB 46.21 trillion in bonds – a YoY increase of 12.62%. For joint-stock commercial banks, the proportion of bonds reached over 70% - totalling RMB 12.34 trillion, or a YoY increase of 9.94%. By the end of 2023, the proportion of bonds held by city & rural commercial banks reached over 70%. The balance totalled RMB 4.86 trillion, a YoY increase of 16.07%.

Figure 16: Changes in the financial investment structure of listed banks



As interest rates decreased to historically low levels, bond financing saw a significant YoY increase. Driven by the local implementation of debt relief packages, the reissuance of special refinancing bonds and other factors, the scale of government bonds issued expanded. Government, public entity and quasi-government bonds issued by listed banks have also increased.

Figure 17: Changes in the bond investment structure of listed banks



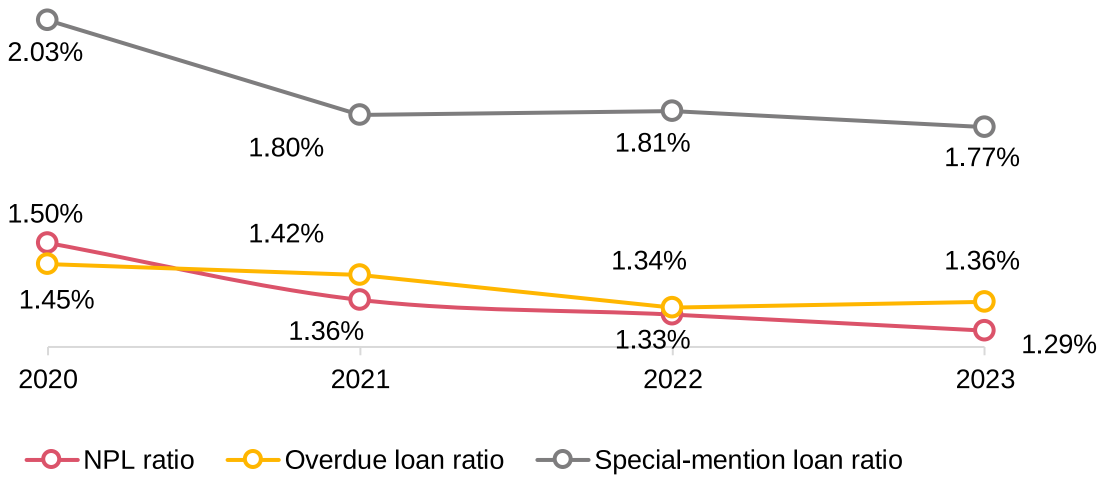
Asset Quality

1. The NPL ratio and the special-mention loan ratio both decreased, and the overdue loan ratio increased slightly

At the end of 2023, the NPL and special-mention loan ratios of the banks surveyed had continued their decrease from the previous year. The overdue loan ratio had increased slightly.

The overall NPL balance increased by 8.02% from the end of last year to RMB 1.93 trillion, while the NPL ratio decreased by 0.04 percentage points to 1.29%. The overdue loan balance increased by 10.66% from the end of last year to RMB 2.03 trillion, and the overdue loan ratio increased slightly to 1.36%. The special- mention loan ratio decreased by 0.04 percentage points from the end of last year to 1.77%.

Figure 18: Changes in the NPL ratio, overdue loan ratio and special-mention loan ratio



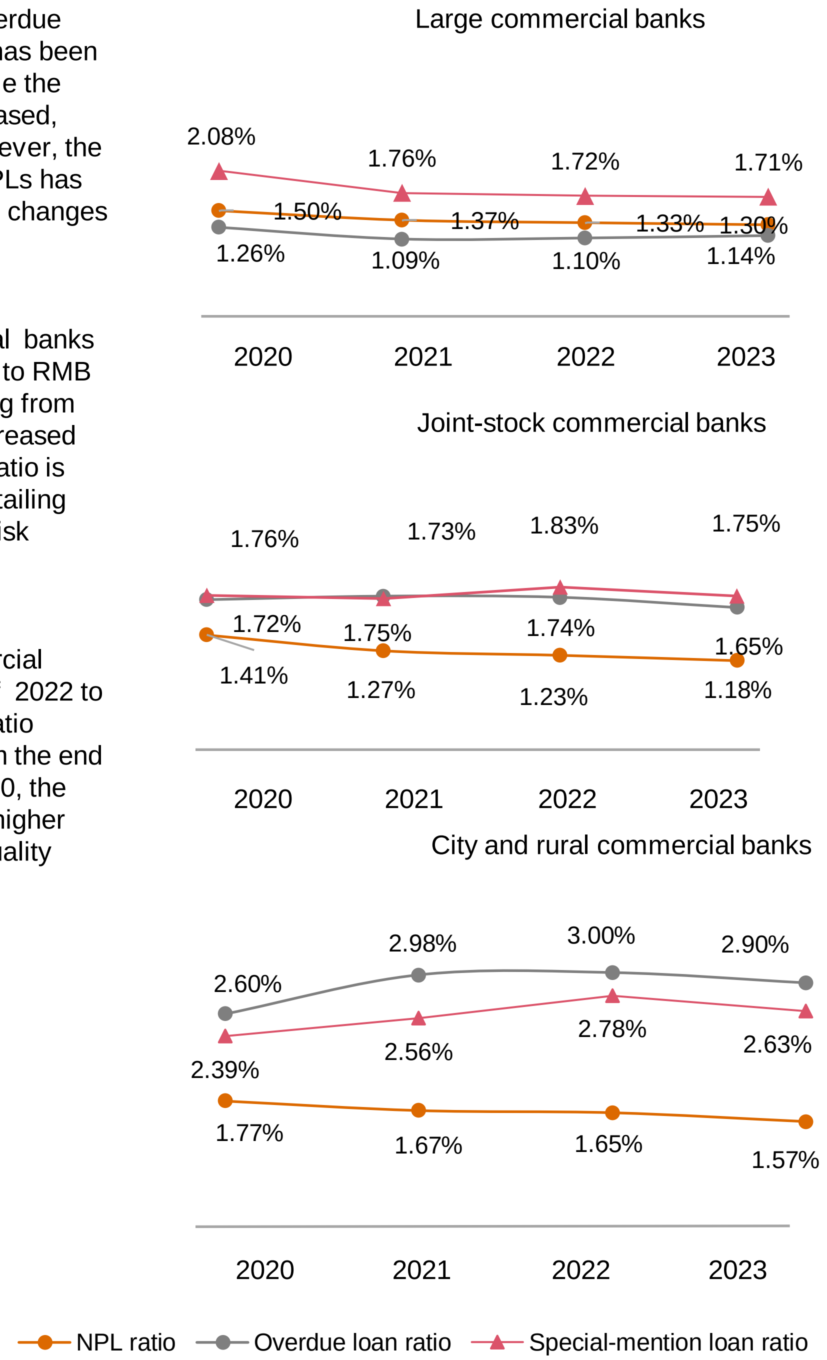
Risk indicators of large commercial banks stabilised, and the overdue loan ratios of joint-stock commercial banks and city and rural commercial banks continued to be higher than the NPL ratios

In 2023, the NPL balance of large commercial banks increased by 10.22% from the end of 2022 to RMB 1.41 trillion, while the NPL ratio decreased from 1.33% to 1.30%. Since 2020, the overdue loan ratio of the large commercial banks has been consistently lower than the NPL ratio, while the special-mention loan ratio has also decreased, with risk indicators remaining stable. However, the difference between overdue loans and NPLs has narrowed, requiring continued attention to changes in asset quality indicators in the future.

The NPL balance of joint-stock commercial banks increased by 2.42% from the end of 2022 to RMB 374.6 billion, with the NPL ratio decreasing from 1.23% to 1.18; the overdue loan ratio decreased from 1.74% to 1.65%. The overdue loan ratio is consistently higher than the NPL ratio, entailing continued attention to subsequent credit risk exposure.

The NPL balance of city and rural commercial banks increased by 2.69% from the end of 2022 to RMB 145.5 billion, and the overall NPL ratio decreased by 0.09 percentage points from the end of last year to 1.57%. However, since 2020, the overdue loan ratio has been significantly higher than the NPL ratio, leaving credit asset quality under great pressure.

Figure 19: Changes in NPL ratio, overdue loan ratio and special-mention loan ratio



2. The NPL balance of corporate loans increased, and the NPL ratio of retail loans increased significantly

Corporate loans:

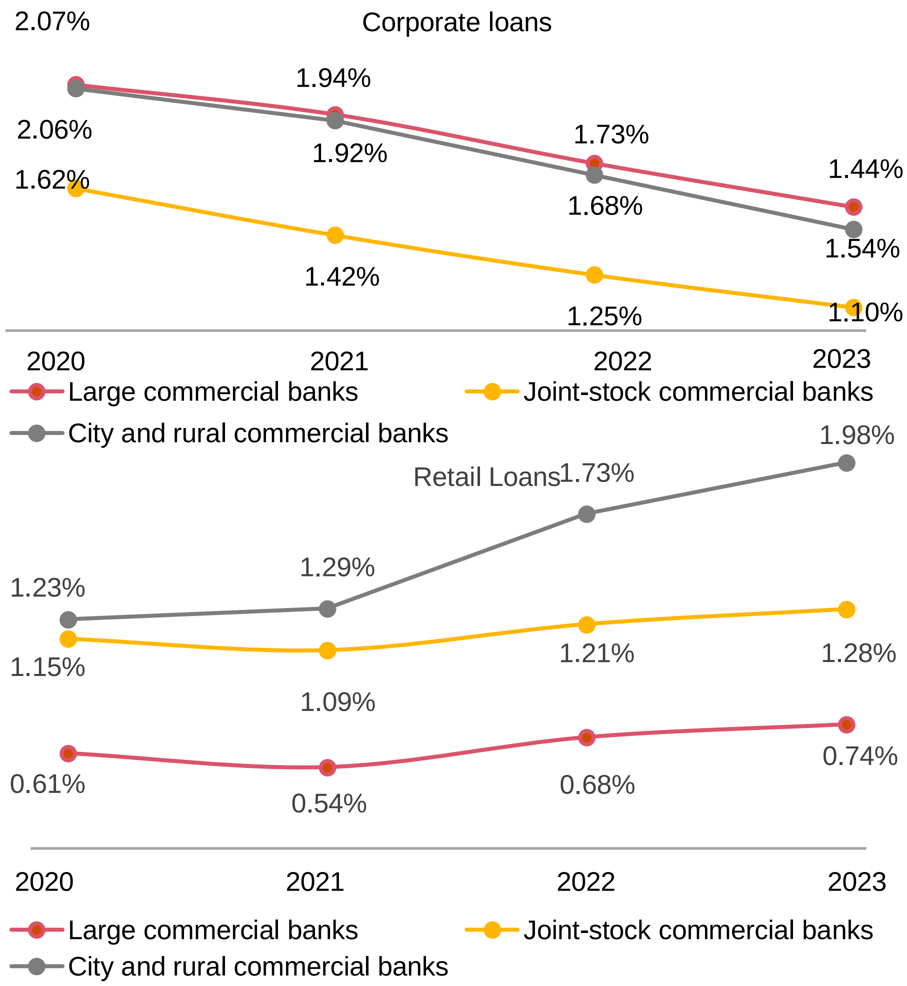
At the end of 2023, the NPL balance of corporate loans was RMB 1.36 trillion, an increase of 2.57% from the end of last year. The NPL ratio was 1.45%, down by 0.18 percentage points from the end of last year. In terms of bank categories, the NPL ratios of corporate loans of large commercial banks, joint-stock commercial banks and city & rural commercial banks have all been decreasing since 2020.

Retail loans:

At the end of 2023, the NPL balance of retail loans was RMB 517.3 billion, an increase of 13.64% from the end of last year. Among these, mortgages increased significantly.

The overall NPL ratio of retail loans was 0.94%, an increase of 0.07 percentage points from the last year. The NPL ratios of retail loans increased for all bank categories compared with last year. The growth in the NPL ratio for city & rural commercial banks was significantly higher than for the others.

Figure 20: Changes in the NPL ratios of corporate and retail loans



Note: The data excludes banks that do not differentiate between the NPL balances of corporate and retail business.

The NPL ratio of real estate loans continued to increase, with the share of real estate loans decreasing

At the end of 2023, the scale of corporate real estate loans from the 38 listed banks was approximately RMB 6.64 trillion. This accounted for 8.09% of their total corporate loans, down by 1.08 percentage points from the end of 2022.

The overall NPL ratio of corporate real estate loans was 4.43%, an increase of 0.18 percentage points from the end of last year, reflecting the continued exposure for all bank categories to the credit risk of the real estate industry.

Since the beginning of this year, China's economy has continued to recover. However, given the rising complexity, severity and uncertainty of the external environment, the sustainable development of the real estate industry is crucial to the stable development of economy. In Q1 2024, the central government stated that we should "further optimise the real estate policy, stabilise the market, prevent risks and promote the implementation and functioning of transformation policies". All the local and relevant departments should enhance policies to support the stable development of the real estate market, including easing purchase restrictions, refining the provident fund policy and reducing the down payment ratios and the interest rates of mortgages, which can further reduce the impact of real estate risk exposure on banks' asset quality indicators.

Table 4: Changes in corporate real estate loans

Corporate real estate loans	2020	2021	2022	2023	Changes
Scale (RMB trillion)					
Large commercial banks	3.26	3.51	3.84	4.09	6.60%
Joint-stock commercial banks	2.21	2.11	2.09	2.06	-1.77%
City and rural commercial banks	0.44	0.45	0.50	0.49	-1.64%
Proportion					
Large commercial banks	8.47%	8.06%	7.60%	6.79%	-0.81%
Joint-stock commercial banks	17.77%	15.80%	14.28%	12.56%	-1.72%
City and rural commercial banks	11.93%	10.78%	10.12%	9.11%	-1.01%
NPL ratio					
Large commercial banks	2.28%	3.29%	5.15%	5.24%	0.09%
Joint-stock commercial banks	0.97%	1.71%	2.89%	3.08%	0.19%
City and rural commercial banks	1.21%	2.07%	2.98%	3.33%	0.34%

Note: The industry distribution of certain listed banks' corporate loans is based on the balance of domestic banks. Banks that have not disclosed the industry distribution of NPLs are excluded.

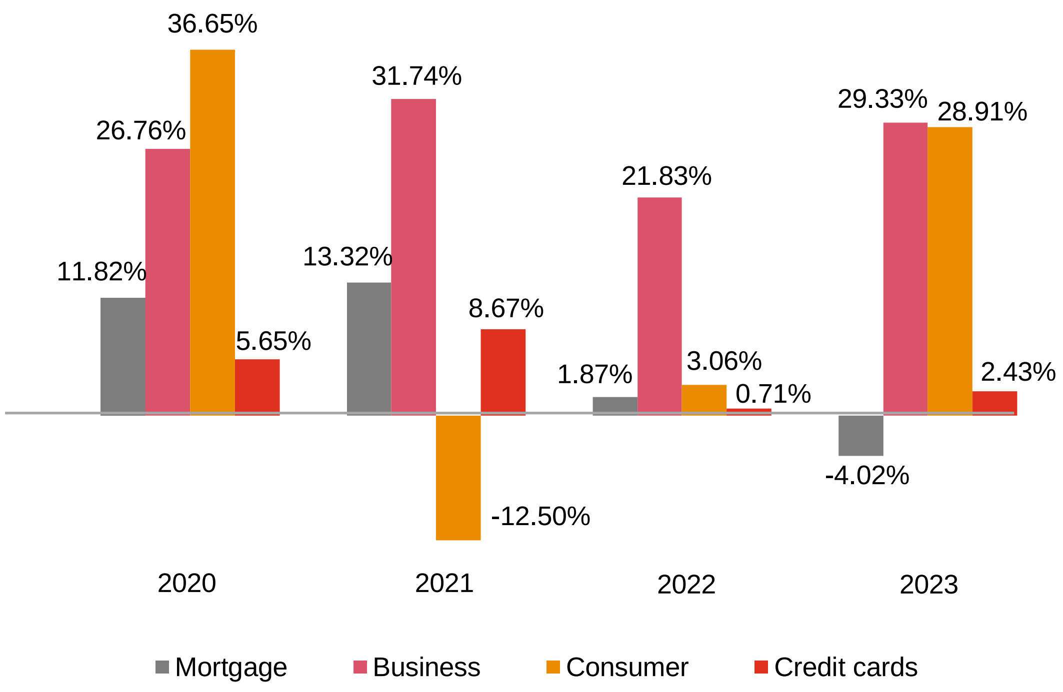
The risk exposure should be further monitored in response to the rapidly increasing retail NPL ratio and growing personal business loans

At the end of 2023, the retail loans of the banks surveyed totalled RMB 55.49 trillion, accounting for 37.21% of their total loans and down by 2.05 percentage points from the end of 2022. Retail NPL balances were RMB 517.3 billion, an increase of 13.64% from the end of the previous year. The overall NPL ratio was 0.94%, an increase of 0.07 percentage points YoY.

Due to the downturn in the real estate market, mortgages decreased by 4.02% from the end of 2022, while the NPL ratio increased from 0.55% to 0.67%.

While the growth in mortgage lending is weak, personal business loans have become a key focus of retail lending, maintaining a relatively high growth rate since 2020. As at the end of 2023, the balance of personal business loans increased by RMB 1.98 trillion from the end of 2022 - an increase of 29.33%. The NPL ratio decreased by 0.05 percentage points from the previous year to 1.02%. The decrease in the NPL ratio may be due to the rapid growth in personal business loans and the lag in risk exposure. Banks need to pay close attention to the market order and fund flows of personal business loans, and continue to monitor the subsequent risk exposure.

Figure 21: Changes in growth rates of retail loans

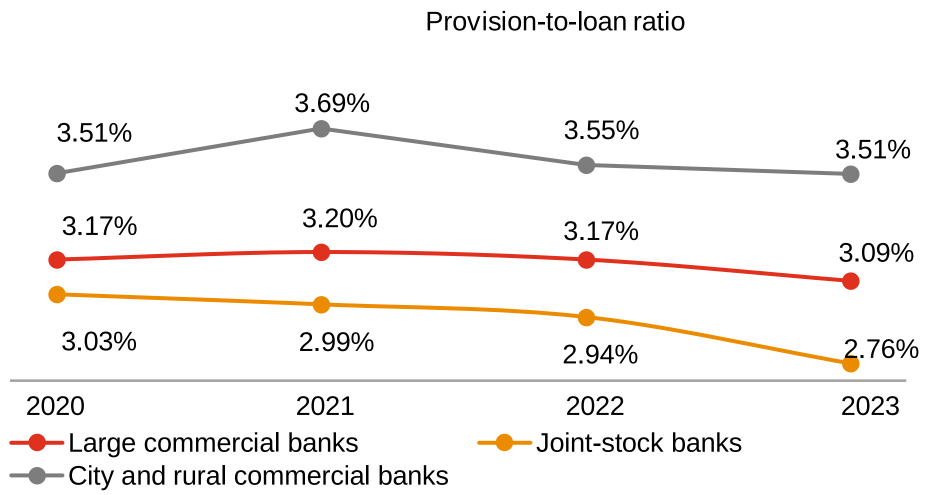


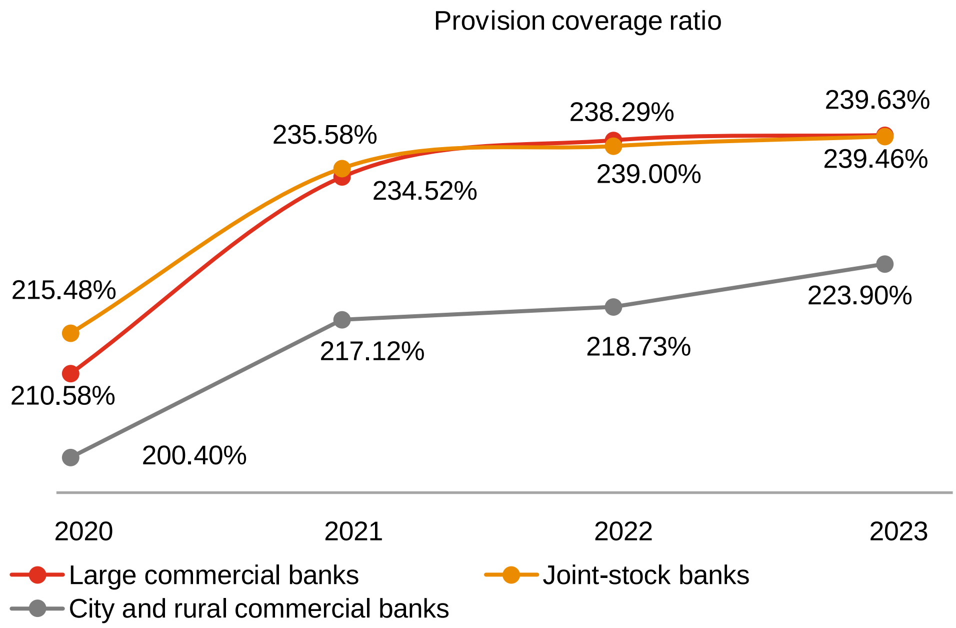
3. The provision-to-loan ratio decreased and the provision coverage ratio continued to increase

As at the end of 2023, the overall provision-to-loan ratio of these banks was 3.04%, down by 0.07 percentage points YoY. The provision coverage ratio was 238.41%, increasing by 1.17 percentage points from the end of 2022. Since 2021, the provision-to- loan ratios of various commercial banks have been decreasing; the provision coverage ratios have been increasing; and the NPL ratios of commercial banks have fallen.

Non-performing asset (NPA) write-offs and transfers decreased YoY. NPA write-offs and transfers-out amounted to RMB 727.7 billion, a decrease of 3.67% from 2022. The volumes for joint-stock commercial banks increased by 8.41%, while those of large commercial banks and city & rural commercial banks decreased by 13.98% and 9.15% respectively.

Figure 22: Changes in provision-to-loan ratio and provision coverage ratio





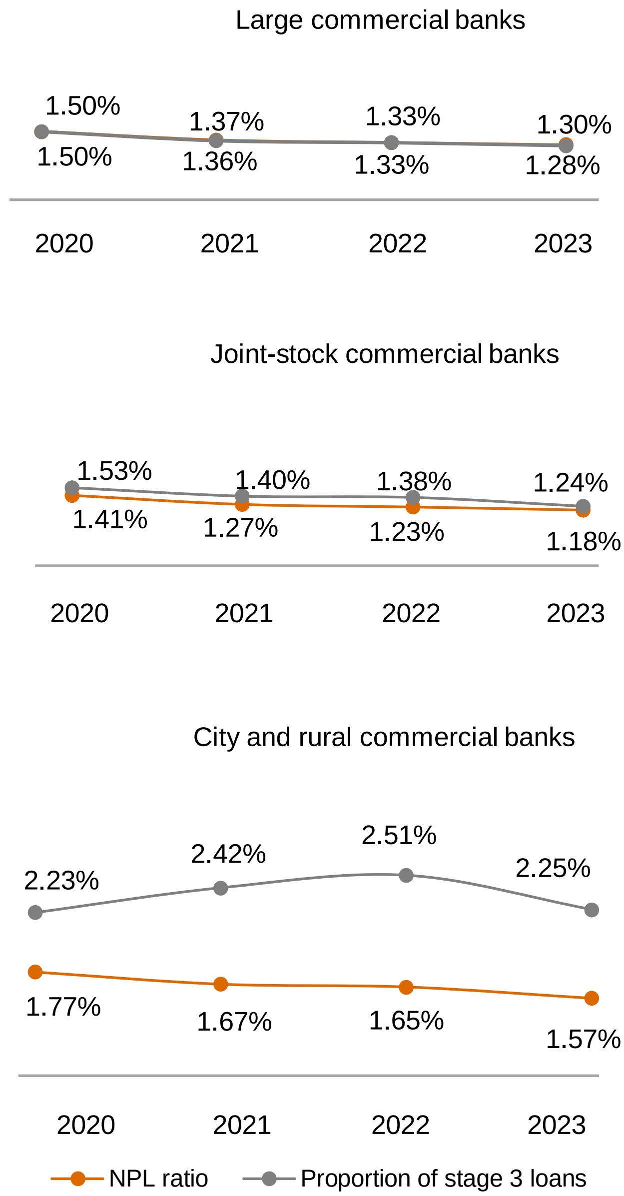
4. Focus on the impact of new regulations on financial asset classification to promote risk resolution

In February 2023, the former China Banking and Insurance Regulatory Commission (CBIRC) and the PBOC officially issued the Measures for the Risk Classification of Financial Assets of Commercial Bank. PwC has further interpreted these Measures. For details, please refer to "Column II: Promoting risk mitigation through classification – Interpretation on the administrative measures for the risk classification of commercial banks" in PwC's China Banking Review 2022.

In particular, Article 11 of the Measures stipulates that credit-impaired 'stage 3' financial assets should be classified as at least 'substandard'. Article 11 raises a number of challenges for the regulatory indicators of NPL ratios of the different bank categories:

- The scale of stage 3 impaired loans for large commercial banks is basically the same as the scale of NPLs, so there is no mismatch.
- There is a slight mismatch between the scale of stage 3 impaired loans for joint-stock commercial banks and the scale of NPLs. However, the difference has narrowed year by year. It is necessary to pay attention to the planned, step-by-step reclassification of all existing businesses in accordance with the requirements of the Measures during the transition period up to the end of 2025.
- There is a major mismatch between the scale of stage 3 impaired loans for city & rural commercial banks and the scale of NPLs. The new Regulation has put greater pressure on the regulatory indicators of city & rural commercial banks. They should formulate a plan as soon as possible to ensure a smooth transition to the regulatory indicators before the end of 2025.

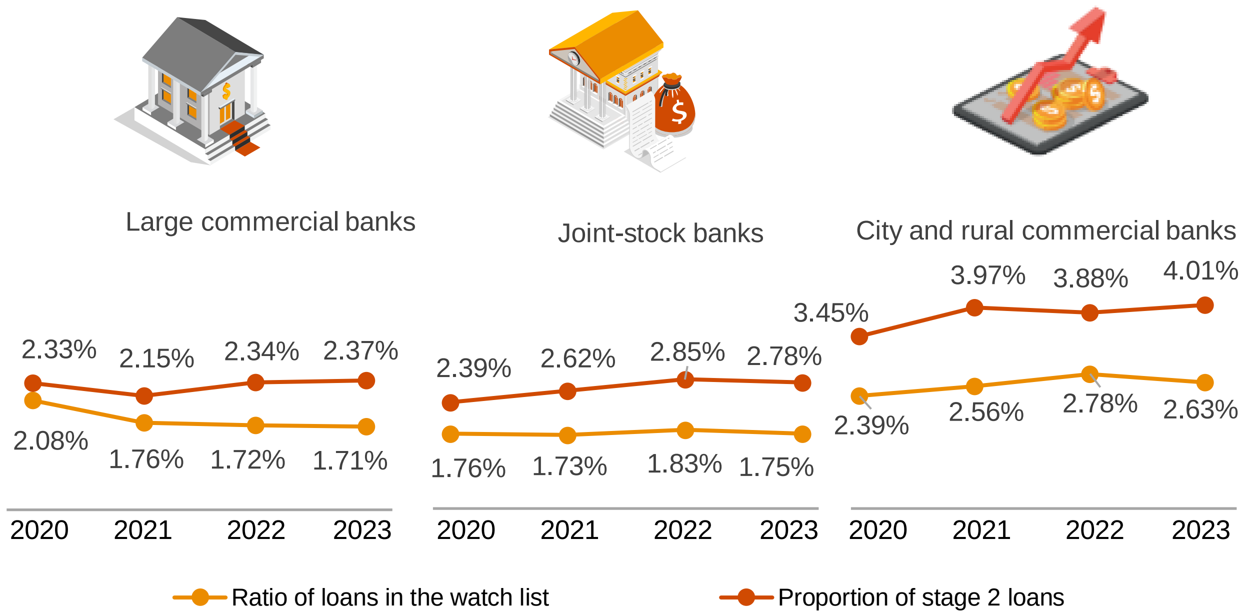
Figure 23: Changes in NPL ratios and proportions of stage 3 loans of listed banks



The risk exposure should be further monitored in response to the increased proportion of stage 2 loans

Both regulators and banks have increasing requirements for credit risk exposure predictions in their own management. Combined with the impact of the continuous risk exposures from some industries, including real estate, the proportion of stage 2 loans has increased significantly. The differences between stage 2 loans ("loans with significant increase in credit risk") and special-mention loans have also been growing year by year, as reflected in the fact that the staging was ahead of the five-tier classification adjustment.

Figure 24: Changes in the proportions of special-mention loans and stage 2 loans



Banks should pay close attention to loans whose stage classification is made earlier than the five-tier classification adjustment. They should assess their potential impact on regulatory indicators, the subsequent operation of existing items with deferred principal and interest repayment, and the effectiveness and effect of the subsequent risk resolution of debts from the real estate sector and local government financing platforms. They should dynamically adjust the risk classification and staging of financial assets based on forward-looking information, make an orderly plan in response to the Rules on Risk Classification of Financial Assets of Commercial Banks, and make full use of the transition period of existing assets to achieve a smooth transition of regulatory indicators.

Liabilities and Wealth Management Business

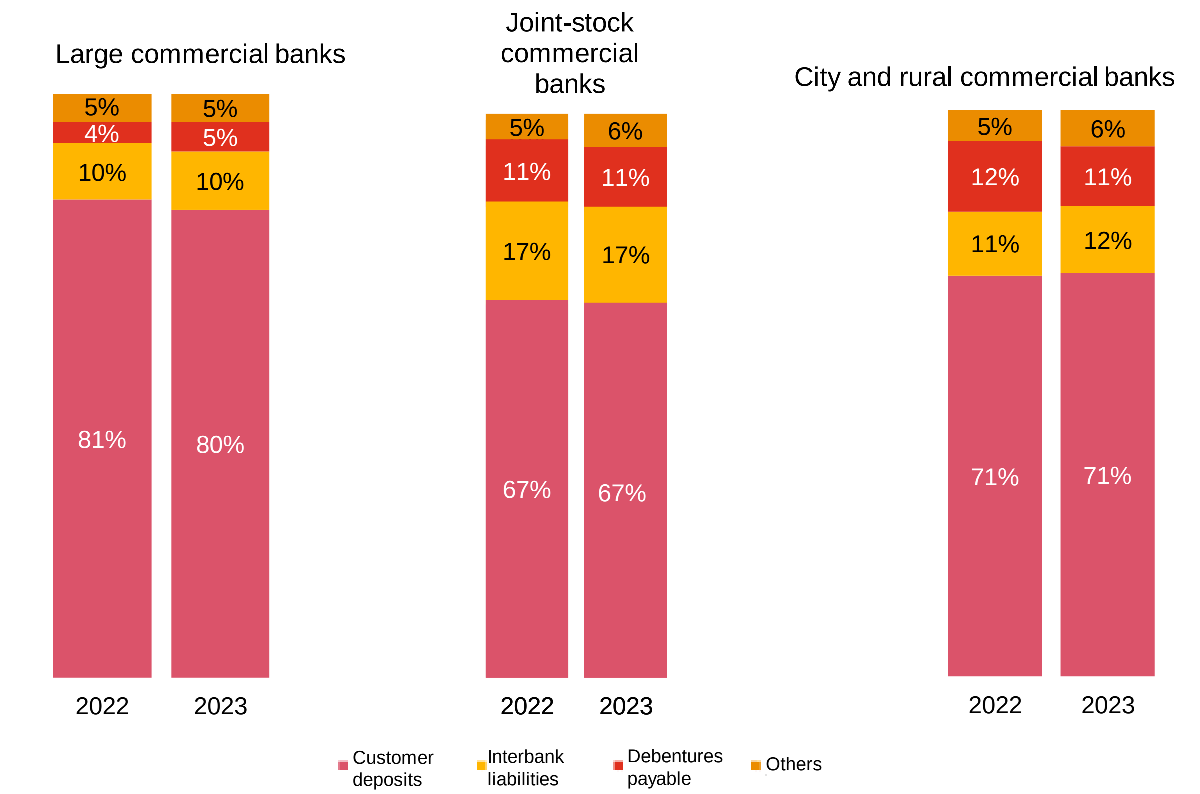
1. The liability structure was stable and the scale of liabilities continued to grow

At the end of 2023, the total liabilities of the banks surveyed were RMB 237.81 trillion – an increase of RMB 24.92 trillion or 11.71% from the end of 2022. In terms of liability structure, customer deposits were still the main source of funds for banks. Due to the competitive advantage of low-cost capital, the proportion of deposits with the large commercial banks was significantly higher than with other banks, consistently accounting for more than 80%.

Table 5: Growth in total liabilities of listed banks

Total liabilities	2020	2021	2022	2023
Scale (RMB trillion)				
Large commercial banks	123.91	133.04	150.60	170.46
Joint-stock commercial banks	40.48	43.60	46.88	50.55
City and rural commercial banks	12.41	13.63	15.41	16.80
Total	**176.80**	**190.27**	**212.89**	**237.81**
YoY growth				
Large commercial banks	9.56%	7.37%	13.20%	13.19%
Joint-stock commercial banks	11.06%	7.71%	7.52%	7.83%
City and rural commercial banks	11.70%	9.83%	13.06%	9.02%
Total	**10.05%**	**7.62%**	**11.89%**	**11.71%**

Figure 25: Changes in the liability structure of listed banks



2. The growth rate of deposits decreased, and the retail deposits increased significantly

In 2023, deposits were still the main driver of growth in banks' liabilities. The customer deposit balance stood at RMB 182 trillion, with the growth rate falling to 10.85%.

For the deposit mix, a significant shift in the proportion of time deposits was noted. The pressure on banks' funding costs was increasing. The proportion of time deposits with large commercial banks increased to 58% from 52% in 2022.

In terms of deposit structure, there were significant differences among the bank categories. The growth of retail deposits for joint-stock commercial banks and city & rural commercial banks was significantly higher than that of corporate deposits.

Figure 26: Changes in growth rates of deposits of listed banks

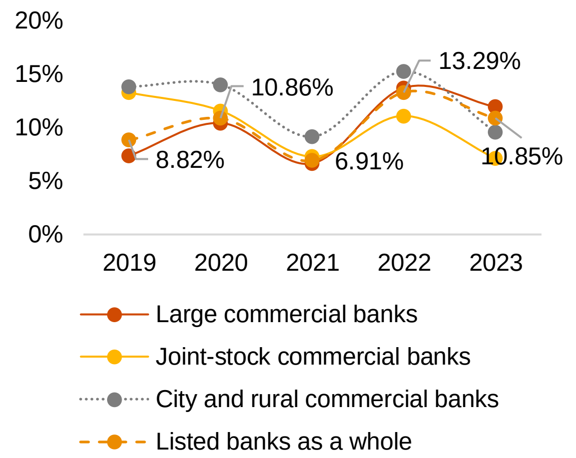


Figure 27: Changes in the deposit structure of listed banks

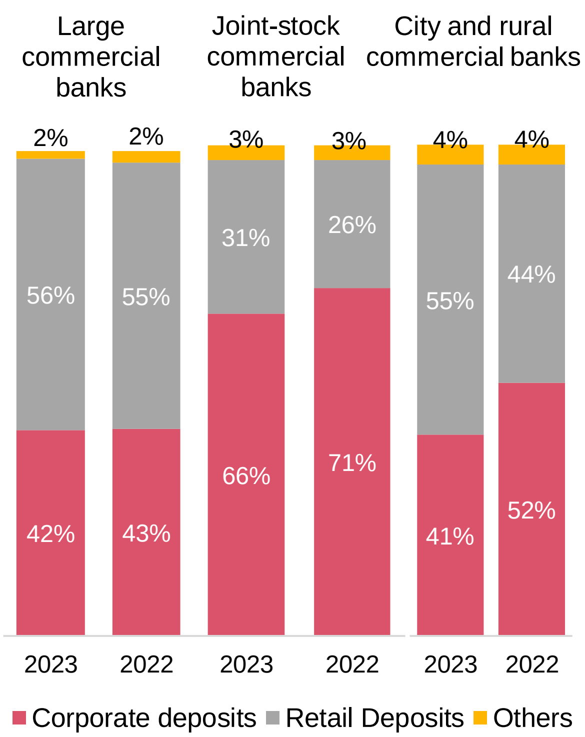
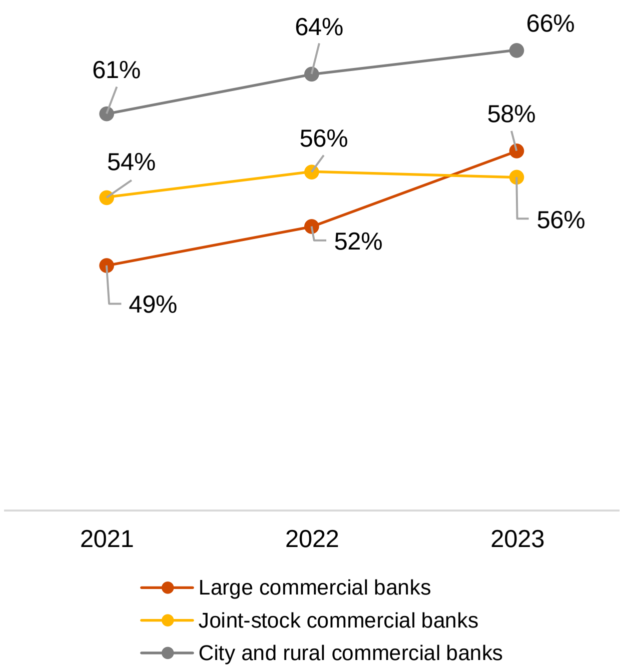


Figure 28: Changes in the proportion of time deposits of listed banks



3. Yield of wealth management products rebounded, and private banking sector achieved steady progress

2023 is the second year to fully implement the New Capital Rules for bank wealth management. According to the Annual Report on China's Banking Wealth Management Market (2023), as of the end of 2023, the existing scale of the wealth management market reached RMB 26.80 trillion. A total of 31,100 wealth management products were issued throughout the year, raising RMB 57.08 trillion, attracting 114 million investors and creating income of RMB 698.1 billion for them. As of the end of 2023, wealth management companies saw the highest volume and scale of existing products, with 19,400 and RMB 22.47 trillion respectively, up by 1.01% from the end of 2022 and accounting for 83.85% of the whole market.

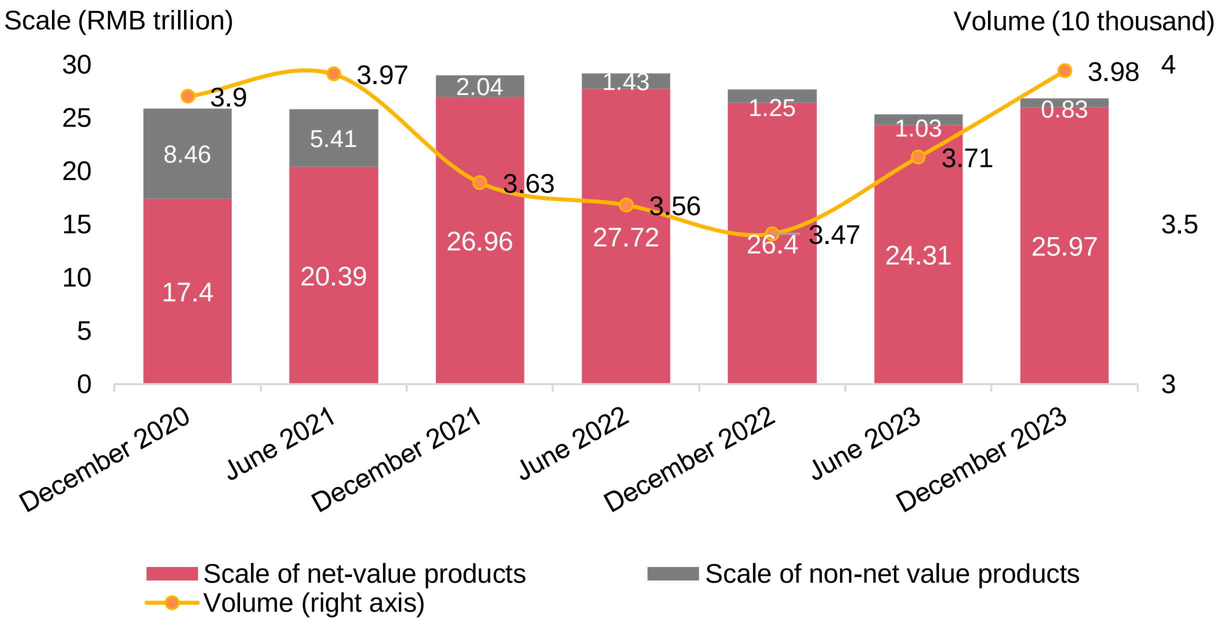
In terms of net-value transition of wealth management products, as of the end of 2023, the existing scale of net-value wealth management products was RMB 25.97 trillion, accounting for 96.93% and increasing by 1.46 percentage points from the end of 2022.

In 2023, the average monthly yield of wealth management products was 2.94% - a significant increase over 2.09% in 2022.

In 2023, the number of cooperative sales agencies of wealth management companies continued to grow, recording a YoY increase of 163 to 491 in the market as of the end of the year.

In addition, the number of wealth management product investors kept rising. As of the end of 2023, the number of investors holding wealth management products was 114 million, up by 17.84% YoY. Among them, the number of individual investors increased by 16.8629 million, and the number of institutional investors increased by 0.3865 million, up by more than 40% from the end of last year.

Figure 29: Changes in the structure of wealth management products



Source: Annual Report on China's Banking Wealth Management Market (2023)

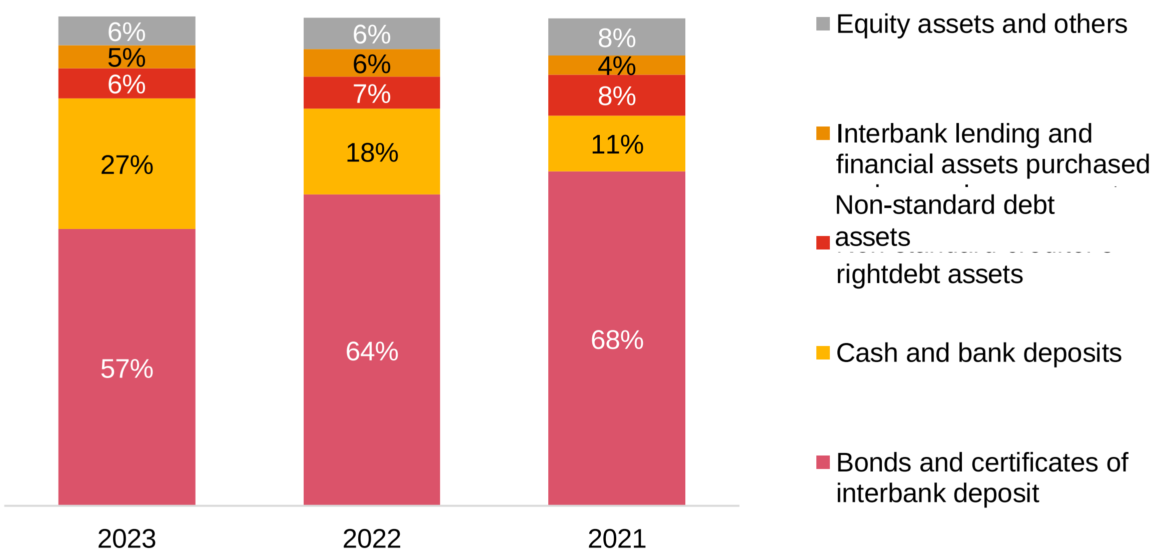
By product type, the proportion of open-end wealth management products is 79.03%, a minor decline from the beginning of the year, while the proportion of closed-end wealth management products is 20.97%.

In 2023, "maintaining prudent" was still the investment strategy for most wealth management products. The existing scale of fixed income products reached RMB 258.2 thousand, accounting for 96.34% of total wealth management products and increasing by 1.84 percentage points from the beginning of the year. In terms of asset allocation, the proportion of investments in bonds and certificates of deposit, cash and bank deposits exceeded 80%, of which the proportion of cash and bank deposit assets increased by 9 percentage points from 2022.

Table 6: Scale and proportion of wealth management products and their changes

Products Operation Mode	End of 2023		End of 2022		Changes	
	Scale (RMB trillion)	Proportion	Scale (RMB trillion)	Proportion	Scale (RMB trillion)	Proportion
Closed-end products	5.62	20.97%	4.78	17.28%	0.84	+3.69 percentage points
Open-end products	21.18	79.03%	22.87	82.72%	-1.69	-3.69 percentage points
Total	**26.80**	**100.00%**	**27.65**	**100.00%**	**-1.35**	**-**

Figure 30: Asset allocation of wealth management products



* Others include: Public funds, Qualified Domestic Institutional Investor (QDII), financial derivatives, and alternative assets.

Source: Annual Report on China's Banking Wealth Management Market (2023)

With the formal implementation of the New Capital Rules, China's wealth management market has started to mature. As customers' requirements have diverged, competition has become fiercer. Benefiting from steady operations and relationships with customers, private banking has achieved steady growth. In 2023, there were eight banks whose private asset management exceeded RMB 1 trillion, up from one in 2022.

High-net-worth bank customers are increasing. In 2023, the number of private banking accounts for eleven banks (see table) reached 1.47 million, up by 11% from the end of 2022.

Table 7: Number of private banking accounts of certain listed banks and its changes

Unit: 10 thousand accounts

	2023	2022	YoY growth
Industrial and Commercial Bank of China	26.29	22.61	16.30%
Bank of China	17.37	15.96	8.83%
China Construction Bank	21.28	19.37	9.86%
Agricultural Bank of China	22.40	20.00	12.00%
China Merchants Bank	14.88	13.48	10.42%
Ping An Bank	9.02	8.05	12.00%
Bank of Communications	8.36	7.70	8.54%
China CITIC Bank	7.40	6.69	10.64%
Industrial Bank	6.92	6.30	9.76%
China Minsheng Bank	5.59	5.15	8.57%
China Everbright Bank	6.35	5.65	12.34%

Capital Management

1. Overall capital adequacy ratio was under pressure

The capital adequacy ratio (CAR) is the core banking regulatory indicator and the basic foundation for the continued operation of banks.

At the end of 2023, the accumulation of internal capital was insufficient due to the accelerated expansion of loans and slowdown in profit growth. This resulted in a decline in the core tier 1 CAR of large commercial banks to 11.97% from the end of 2022. Affected by a slowdown in loan growth, the core tier 1 CAR of joint-stock commercial banks rebounded to 9.98% while that of city & rural commercial banks rose to 9.98%.

In the context of narrowed NIM and declining profits, the overall CAR of commercial banks is still under pressure. At the end of 2023, the CAR of large commercial banks declined, while that of joint-stock commercial banks and city & rural commercial banks slightly rebounded from 2022.

In November 2023, the National Financial Regulatory Administration (NAFR) formally issued the Rules on Capital Management of Commercial Banks, which took effect from 1 January 2024. In light of the domestic situation, to better serve the real economy with bank services, the New Capital Rules cut down the capital occupation of loans to small and medium-sized enterprises. Listed banks are required to balance the growth of loans and profit and adjust loan structure in a reasonable manner so as to maintain stable core tier 1 CAR.

Figure 31：Core Tier 1 CAR

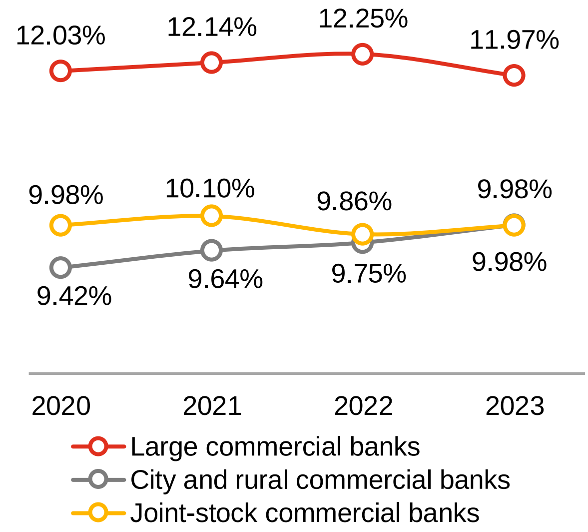
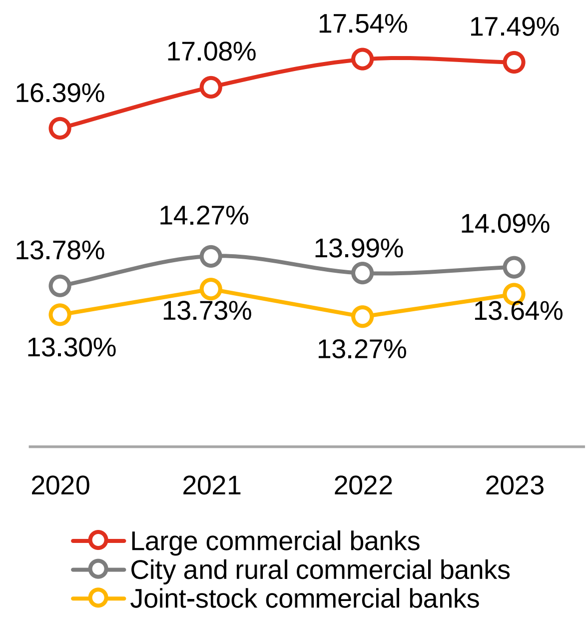


Figure 32: CAR



2. Refinancing slowed down, while capital replenishment still faced challenges

In 2023, the China Securities Regulatory Commission announced a number of new regulations, slowing down the refinancing of listed banks. In 2023, 38 banks raised approximately RMB 967.9 billion in total through various capital replenishment instruments, down by 6% or RMB 1,027.4 billion from 2022.

Due to the low conversion ratio of convertible bonds, investors expect higher returns from perpetual bonds and other equity instruments. Banks tend to replenish bank capital with tier 2 capital debt at lower costs.

As the most chosen capital replenishment channel for listed banks in 2023, tier 2 capital bonds issued amounted to approximately RMB 765.4 billion, a slight decline from 2022.

Figure 33: Amount of capital replenishment instruments issued by listed banks

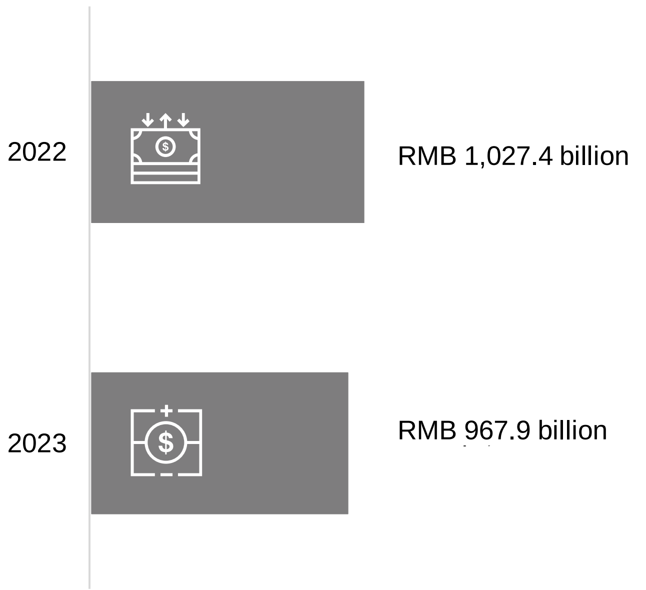
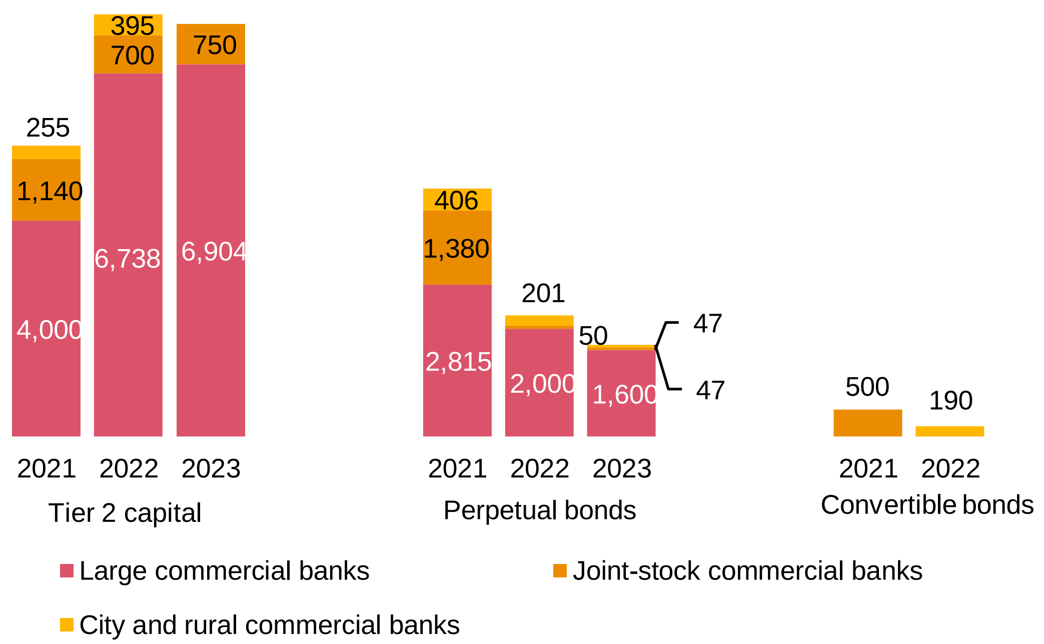
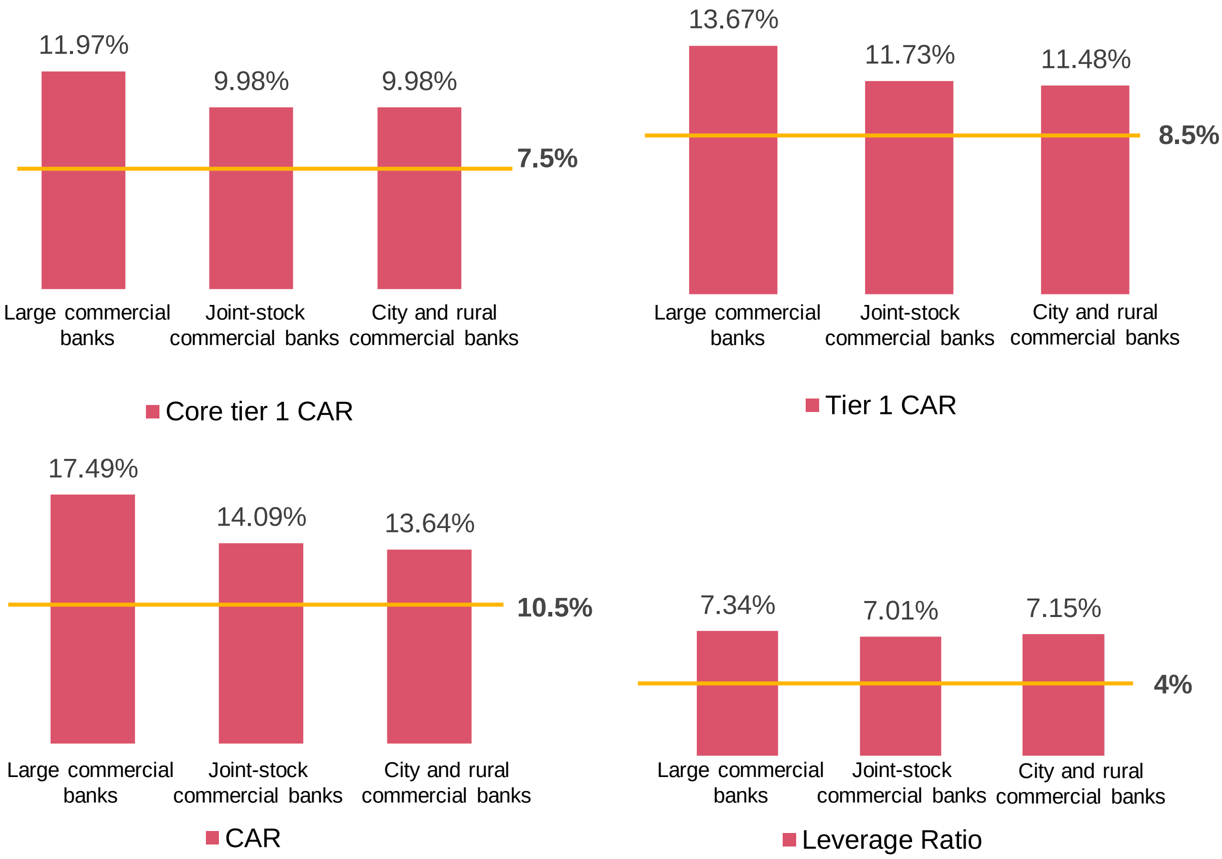


Figure 34: Amount of capital replenishment instruments issued by listed banks (RMB 100 million)



3. New Capital Rules demand supervision on different capital tranches, and capital management requirements were comprehensively upgraded

Figure 35: CAR and leverage ratio in 2023



* Horizontal line in the above figure represents the minimum CAR and leverage ratio of commercial banks required by the New Capital Rules

As of the end of 2023, both CAR and leverage ratios of these 38 listed banks according to the Rules on Capital Management of Commercial Banks (Provisional) could meet the regulatory requirements of the New Capital Rules. These took effect on 1 January 2024. Compared with the draft for consultation issued on 18 February 2023, the final version of the New Capital Rules, firstly, takes into account the risk characteristics of relevant businesses, further adjusts risk weight of certain exposures and optimises credit conversion factors applicable to individual off-balance sheet activities. Secondly, it refines and improves the representations of the rules so that they are more readily comprehensible and enforceable. Finally, it formulates supporting policy documents and defines arrangements for the transition period to ensure proper and orderly implementation.

Under the New Capital Rules, measurement will be more sensitive and will exert an influence on the capital occupation of different business segments and types such as corporate business, retail, interbank and financial market business. The New Capital Rules will significantly affect bank operation plans, business strategy, risk measurement, system data and other aspects. Banks should meet relevant compliance requirements.

Appendix

Statistical interpretations of financial data of listed banks

The main statistical metrics of financial data involved in this report are interpreted as follows:

1. Financial investments include: Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost.

2. Interbank assets include: Deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, and financial assets held under resale agreements.

3. Interbank liabilities include: Deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, and financial assets sold under repurchase agreements.

4. Issued debt securities include: Subordinate debt, tier 2 capital debt, convertible corporate debt, green bonds, financial bonds, and debt instruments such as hybrid capital bonds, certificates of deposit, and certificates of interbank deposit.

5. Average ROA = net profit/average opening and closing balance of total assets. The weighted average return on net assets is calculated in accordance with the provisions of the China Securities Regulatory Commission's Information Disclosure and Reporting Rule No. 9 for Companies Offering Securities to the Public: Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision).

6. Net interest spread = average return on interest-earning assets - average interest rate of interest-bearing liabilities; Net interest margin = net interest income/average interest-earning assets

7. Cost-to-income ratio = business and management expenses/operating income

8. NPL ratio = NPL balance/balance of loans to customers; Special-mention loan ratio = balance of special-mention loans/balance of loans to customers; Overdue loan ratio = balance of overdue loans/balance of loans to customers

9. Provision coverage ratio = balance of impairment provision for loans/NPL balance; Loan-to-provision ratio = balance of impairment provision for loans/total loans and advances to customers

10. Core tier 1 CAR = net core tier 1 capital/total risk-weighted assets; Tier 1 CAR = net tier 1 capital/total risk-weighted assets; CAR = net capital/total risk-weighted assets

11. There may be minor differences between the sum of the sub-items and the total due to rounding.

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