



## Analysis of Financial Statements

In 2023, the Bank adhered to the strategic positioning of retail banking, continuously advanced innovation and reform, constantly deepened capacity building, gradually developed differentiated competitive advantages with a focus on building five differentiated growth poles, and realized sound development momentum across the Bank.

Firstly, the scale of business achieved steady growth. As at the end of the reporting period, the Bank's total assets reached RMB15.73 trillion, an increase of 11.80% over the prior year-end, of which total loans to customers amounted to RMB8.15 trillion, an increase of 13.02% over the prior year-end, with RMB182,126 million more than the incremental growth in the prior year, achieving a record high increment. Total liabilities reached RMB14.77 trillion, an increase of 11.54% from the end of last year, of which customer deposits reached RMB13.96 trillion, an increase of 9.76% from the end of last year. The core liabilities maintained a steady and healthy development. Loan-to-deposit ratio was 58.39%, an increase of 1.68 percentage points compared with the prior year-end, which represented the continuous optimization of the asset structure.

Secondly, operating results remained stable. During the reporting period, the Bank's net profit attributable to equity holders stood at RMB86,270 million, a year-on-year increase of 1.23%; the operating income amounted to RMB342,912 million, up 2.24% year on year; among which the net interest income was RMB281,803 million, representing a year-on-year increase of 3.00%; excluding the one-off factor of the transformation to net-value wealth management products in the prior year, the net fee and commission income increased by 12.05% year on year. Net interest margin was 2.01%, which stood at a relatively good level in the industry.

Thirdly, asset quality remained stable and excellent. The Bank upheld the prudent and sound risk appetite, continuously improved its comprehensive risk management framework, accelerated the transformation towards digital and intensive risk management, and actively empowered high-quality development of its businesses. As at the end of the reporting period, the Bank's non-performing loan ratio was 0.83%, a decrease of 0.01 percentage point compared with the prior year-end, which still was at the leading level in the industry; allowance to NPLs ratio was 347.57%, indicating adequate risk offset capabilities.

## Analysis of Income Statement

During the reporting period, the Bank recorded a net profit of RMB86,424 million, representing a year-on-year increase of RMB1,069 million or 1.25%.

### Changes of Key Items in the Income Statement

*In RMB million, except for percentages*

Item	2023	2022	Increase/ (decrease)	Change (%)
Net interest income	281,803	273,593	8,210	3.00
Net fee and commission income	28,252	28,434	(182)	(0.64)
Net other non-interest income	32,857	33,364	(507)	(1.52)
<b>Operating income</b>	<b>342,912</b>	<b>335,391</b>	<b>7,521</b>	<b>2.24</b>
Less: Operating expenses	225,142	208,680	16,462	7.89
Credit impairment losses	26,167	35,328	(9,161)	(25.93)
Impairment losses on other assets	4	19	(15)	(78.95)
Profit before income tax	91,599	91,364	235	0.26
Less: Income tax expenses	5,175	6,009	(834)	(13.88)
<b>Net profit</b>	<b>86,424</b>	<b>85,355</b>	<b>1,069</b>	<b>1.25</b>
Attributable to equity holders of the Bank	86,270	85,224	1,046	1.23
Attributable to non-controlling interests	154	131	23	17.56
Other comprehensive income	288	(6,650)	6,938	–
<b>Total comprehensive income</b>	<b>86,712</b>	<b>78,705</b>	<b>8,007</b>	<b>10.17</b>

### Net Interest Income

During the reporting period, the Bank actively responded to downward pressure on the net interest margin in the banking industry, adhered to the differentiated development strategy, improved the efficiency of asset and liability allocation, promoted a balance between quantity and price as well as structural optimization, and realized a net interest income of RMB281,803 million for the year, representing an increase of RMB8,210 million, or 3.00% compared with the same period of the prior year, of which an increase of RMB30,261 million in net interest income was driven by the scale expansion, and a decrease of RMB22,051 million in net interest income was brought by the changes in interest rates. Net interest margin and net interest spread were 2.01% and 1.99%, respectively.



# Analysis of Financial Statements

## Average Yield of Interest-Earning Assets and Average Cost of Interest-Bearing Liabilities

In RMB million, except for percentages

Item	2023			2022		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
<b>Assets</b>						
Total loans to customers	7,739,734	319,513	4.13	6,899,837	309,240	4.48
Investments <sup>(1)</sup>	4,315,237	139,081	3.22	3,743,743	128,424	3.43
Deposits with central bank <sup>(2)</sup>	1,231,316	20,003	1.62	1,176,951	19,182	1.62
Deposits and placements with banks and other financial institutions <sup>(3)</sup>	708,713	19,730	2.78	629,301	17,394	2.76
<b>Total interest-earning assets</b>	<b>13,995,000</b>	<b>498,327</b>	<b>3.56</b>	<b>12,449,832</b>	<b>474,240</b>	<b>3.81</b>
Allowance for impairment losses on assets	(270,945)	–	–	(261,489)	–	–
Non-interest-earning assets <sup>(4)</sup>	1,244,150	–	–	1,196,773	–	–
<b>Total assets</b>	<b>14,968,205</b>	<b>–</b>	<b>–</b>	<b>13,385,116</b>	<b>–</b>	<b>–</b>
<b>Liabilities</b>						
Customer deposits	13,208,698	202,666	1.53	11,930,632	192,661	1.61
Deposits and placements from banks and other financial institutions <sup>(5)</sup>	312,367	6,162	1.97	224,456	4,132	1.84
Debt securities issued <sup>(6)</sup>	253,738	7,137	2.81	97,582	3,486	3.57
Borrowings from central bank	30,843	559	1.81	20,428	368	1.80
<b>Total interest-bearing liabilities</b>	<b>13,805,646</b>	<b>216,524</b>	<b>1.57</b>	<b>12,273,098</b>	<b>200,647</b>	<b>1.63</b>
Non-interest-bearing liabilities <sup>(7)</sup>	237,882	–	–	242,308	–	–
<b>Total liabilities</b>	<b>14,043,528</b>	<b>–</b>	<b>–</b>	<b>12,515,406</b>	<b>–</b>	<b>–</b>
<b>Net Interest Income</b>	<b>–</b>	<b>281,803</b>	<b>–</b>	<b>–</b>	<b>273,593</b>	<b>–</b>
<b>Net interest spread<sup>(8)</sup></b>	<b>–</b>	<b>–</b>	<b>1.99</b>	<b>–</b>	<b>–</b>	<b>2.18</b>
<b>Net interest margin<sup>(9)</sup></b>	<b>–</b>	<b>–</b>	<b>2.01</b>	<b>–</b>	<b>–</b>	<b>2.20</b>

Note (1): Consists of interest-earning assets in financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost.

Note (2): Consists of statutory deposit reserves and surplus deposit reserves.

Note (3): Consists of deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.

Note (4): Consists of financial assets measured at fair value through profit or loss, cash, property and equipment, and deferred tax assets, etc.

Note (5): Consists of deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Note (6): Consists of qualified tier 2 capital instruments issued and interbank certificates of deposit.

Note (7): Consists of employee benefits payable, provisions and lease liabilities, etc.

Note (8): Calculated as the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

Note (9): Calculated by dividing net interest income by the average balance of total interest-earning assets.

### Changes in Net Interest Income Due to Changes in Volume and Interest Rate

In RMB million

Item	2023 vs 2022		
	Increase/(decrease)		
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	Total <sup>(3)</sup>
<b>Assets</b>			
Total loans to customers	34,673	(24,400)	10,273
Investments	18,419	(7,762)	10,657
Deposits with central bank	883	(62)	821
Deposits and placements with banks and other financial institutions	2,211	125	2,336
Total changes in interest income	56,186	(32,099)	24,087
<b>Liabilities</b>			
Customer deposits	19,610	(9,605)	10,005
Deposits and placements from banks and other financial institutions	1,734	296	2,030
Debt securities issued	4,392	(741)	3,651
Borrowings from central bank	189	2	191
Total changes in interest expense	25,925	(10,048)	15,877
<b>Changes in net interest income</b>	<b>30,261</b>	<b>(22,051)</b>	<b>8,210</b>

Note (1): Represents the difference between the average balance for the period and the average balance for the previous period, multiplied by the average yield/cost for the period.

Note (2): Represents the difference between the average yield/cost for the period and the average yield/cost for the previous period, multiplied by the average balance for the previous period.

Note (3): Represents the difference between the interest income/expense for the period and the interest income/expense for the previous period.

### Interest Income

During the reporting period, the Bank's interest income amounted to RMB498,327 million, representing an increase of RMB24,087 million, or 5.08% compared with the same period of the prior year. It was mainly because that the Bank focused on building a resource allocation system with RAROC as a yardstick, realizing steady growth in the interest-earning assets and continuous optimization of the asset structure.

### Interest Income from Loans to Customers

During the reporting period, the Bank was committed to serving the real economy and continued to increase credit supply to Sannong customers, MSEs, corporate clients and others, realizing RMB319,513 million in interest income from loans to customers, representing an increase of RMB10,273 million, or 3.32% compared with the same period of the prior year.

## Analysis of Financial Statements

Among them, interest income from personal loans amounted to RMB203,786 million, representing a decrease of RMB765 million, or 0.37% compared with the same period of the prior year. It was mainly because of the decrease in the interest income from personal residential mortgage loans as a result of the lower LPR and the adjustment of interest rates on existing mortgages loans. Additionally, the Bank achieved relatively rapid increase in the interest income of personal micro loans and other businesses due to rapid growth in scale, which partially offset the impact of interest rate cut on interest income.

Interest income from corporate loans amounted to RMB109,188 million, representing an increase of RMB13,354 million, or 13.93% compared with the same period of the prior year, primarily due to an increase in the average balance of corporate loans because the Bank comprehensively promoted a new “1 plus N” operation and service system for corporate finance and provided customers with comprehensive financial services to facilitate industrial transformation and upgrading as well as diversified development.

### Analysis on Average Yield of Loans to Customers by Business Line

*In RMB million, except for percentages*

Item	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Personal loans	4,264,355	203,786	4.78	3,914,687	204,551	5.23
Corporate loans	3,018,871	109,188	3.62	2,494,670	95,834	3.84
Discounted bills	456,508	6,539	1.43	490,480	8,855	1.81
<b>Total loans to customers</b>	<b>7,739,734</b>	<b>319,513</b>	<b>4.13</b>	<b>6,899,837</b>	<b>309,240</b>	<b>4.48</b>

### Analysis on Average Yield of Loans to Customers by Maturity Structure

*In RMB million, except for percentages*

Item	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	2,753,695	107,961	3.92	2,472,616	107,905	4.36
Medium- and long-term loans	4,986,039	211,552	4.24	4,427,221	201,335	4.55
<b>Total loans to customers</b>	<b>7,739,734</b>	<b>319,513</b>	<b>4.13</b>	<b>6,899,837</b>	<b>309,240</b>	<b>4.48</b>

### Interest Income from Investments

During the reporting period, the Bank's interest income from investments amounted to RMB139,081 million, representing an increase of RMB10,657 million, or 8.30% compared with the same period of the prior year. It was mainly because the Bank focused on creating differentiated growth poles in the financial market, actively seized market opportunities and dynamically optimized asset allocation, leading to the increase in the average balance of financial investments such as bonds and interbank certificates of deposit.

### Interest Income from Deposits with Central Bank

During the reporting period, the Bank's interest income from deposits with central bank amounted to RMB20,003 million, representing an increase of RMB821 million, or 4.28% compared with the same period of the prior year, primarily driven by the increase of the scale of deposit reserves.

### Interest Income from Deposits and Placements with Banks and Other Financial Institutions

During the reporting period, the Bank's interest income from deposits and placements with banks and other financial institutions amounted to RMB19,730 million, representing an increase of RMB2,336 million, or 13.43% compared with the same period of the prior year. It was primarily because that the Bank seized the opportunity of higher interest rates, optimized the business structure, and increased the average balance of time deposits with banks and placements with banks. It was also driven by the improvement in average yield of bonds held under resale agreements.

### Interest Expense

During the reporting period, the Bank adhered to the concept of value creation, stepped up top-level design and tapped into the potential of structural adjustments, resulting in the continuous improvement in the quality of liability business development with a further decreased cost of interest-bearing liabilities. The interest expense amounted to RMB216,524 million, representing an increase of RMB15,877 million, or 7.91% year on year, primarily due to the increased interest expense on customer deposits and debt securities issued. The average cost of interest-bearing liabilities was 1.57%, a year-on-year decrease of 6 bps.

### Interest Expense on Customer Deposits

During the reporting period, following the development strategy of "quality over scale", the Bank vigorously promoted the development of value deposits through policy guideline such as performance appraisal and interest rate management. The average cost of deposits decreased by 8 bps year on year to 1.53%, among which the average cost of personal deposits decreased by 9 bps year on year. The Bank's interest expense on customer deposits amounted to RMB202,666 million, representing an increase of RMB10,005 million, or 5.19% year on year, primarily driven by the growth in the scale of deposits.

# Analysis of Financial Statements

## Analysis on Average Cost of Customer Deposits by Product Type

*In RMB million, except for percentages*

Item	2023			2022		
	Average balance	Interest Expense	Average cost (%)	Average balance	Interest Expense	Average cost (%)
<b>Personal deposits</b>						
Demand deposits	3,007,188	6,550	0.22	2,913,777	8,173	0.28
Time deposits	8,748,546	176,781	2.02	7,653,179	166,299	2.17
<b>Subtotal</b>	<b>11,755,734</b>	<b>183,331</b>	<b>1.56</b>	10,566,956	174,472	1.65
<b>Corporate deposits</b>						
Demand deposits	932,518	8,101	0.87	911,537	7,681	0.84
Time deposits	520,446	11,234	2.16	452,139	10,508	2.32
<b>Subtotal</b>	<b>1,452,964</b>	<b>19,335</b>	<b>1.33</b>	1,363,676	18,189	1.33
<b>Total customer deposits</b>	<b>13,208,698</b>	<b>202,666</b>	<b>1.53</b>	11,930,632	192,661	1.61

### Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

During the reporting period, the Bank's interest expense on deposits and placements from banks and other financial institutions amounted to RMB6,162 million, representing an increase of RMB2,030 million, or 49.13% compared with the same period of the prior year, primarily driven by the growth in the scale of bonds sold under repurchase agreements and the increase in the costs of borrowing in US dollars.

### Interest Expense on Debt Securities Issued

During the reporting period, the Bank's interest expense on debt securities issued amounted to RMB7,137 million, representing an increase of RMB3,651 million, or 104.73% compared with the same period of the prior year. It was mainly because the Bank proactively optimized the liability structure and issued interbank certificates of deposit and tier 2 capital bonds, with an increase in scale.

### Net Fee and Commission Income

During the reporting period, the Bank attached greater emphasis on capacity building, focused on key products, and continued to advance the diversified development of intermediary business. The net fee and commission income amounted to RMB28,252 million for the year, representing a year-on-year decrease of RMB182 million, or 0.64%. Excluding the one-off factor of the transformation to net-value wealth management products in the prior year, the net fee and commission income increased by 12.05% year on year, which continued to maintain a double-digit growth.

Fee and commission income amounted to RMB51,104 million, representing a year-on-year increase of RMB1,359 million, or 2.73%. Specifically, agency business fee income amounted to RMB20,857 million, representing a year-on-year increase of RMB4,058 million, or 24.16%. It was mainly because the Bank actively developed differentiated growth poles for wealth management, focused on customer needs, enriched its products, and improved capability of resource allocation, achieving rapid growth in the income from its wealth management business. Fee income from bank cards business amounted to RMB11,925 million, representing a year-on-year increase of RMB43 million, or 0.36%. It was mainly because the Bank deepened institutional and mechanism reforms of the credit card business, strengthened product innovation, further developed the business district and scenario system, and achieved a stable growth of credit card business fee income. Fee and commission income from settlement and clearing amounted to RMB10,230 million, representing a year-on-year increase of RMB695 million, or 7.29%. It was mainly because the Bank promoted scenario-based and digital transformation of settlement products, resulting in fast growth in income from corporate settlement business. Wealth management fee income amounted to RMB2,821 million, representing a year-on-year decrease of RMB4,785 million, or 62.91%, primarily due to the one-off factor for the transformation to net-value products in the prior year and a decreased scale of wealth management products. Investment banking fee income amounted to RMB2,388 million, representing a year-on-year increase of RMB717 million, or 42.91%. It was mainly because the Bank enhanced the synergy between investment banking and commercial banking, stimulated operational efficiency of business development, accelerated the growth of bond financing, syndicated loans, etc. and realized rapid growth in the investment banking income. Other business income amounted to RMB1,752 million, representing a year-on-year increase of RMB714 million, or 68.79%, which was mainly because the Bank focused on the dual-drive of "settlement plus financing" and realized rapid growth in the fee income from businesses such as off-balance sheet bills and letters, supply chain finance, etc.

Fee and commission expense amounted to RMB22,852 million, representing a year-on-year increase of RMB1,541 million, or 7.23%, primarily due to an increase in commission expenses as a result of the growth in the scale of sales of financial products at postal agency outlets.

### Components of Net Fee and Commission Income

*In RMB million, except for percentages*

Item	2023	2022	Increase/ (decrease)	Change (%)
Agency business	20,857	16,799	4,058	24.16
Bank cards business	11,925	11,882	43	0.36
Settlement and clearing	10,230	9,535	695	7.29
Wealth management	2,821	7,606	(4,785)	(62.91)
Investment banking	2,388	1,671	717	42.91
Custody business	1,131	1,214	(83)	(6.84)
Others	1,752	1,038	714	68.79
<b>Fee and commission income</b>	<b>51,104</b>	<b>49,745</b>	<b>1,359</b>	<b>2.73</b>
Less: Fee and commission expense	22,852	21,311	1,541	7.23
<b>Net fee and commission income</b>	<b>28,252</b>	<b>28,434</b>	<b>(182)</b>	<b>(0.64)</b>



# Analysis of Financial Statements

## Net Other Non-Interest Income

During the reporting period, the Bank's net other non-interest income amounted to RMB32,857 million, representing a decrease of RMB507 million, or 1.52% compared with the same period of the prior year.

In particular, net trading gains and net gains on investment securities totaled RMB29,179 million, representing an increase of RMB3,947 million, or 15.64% compared with the same period of the prior year. It was mainly because that the Bank further created differentiated growth poles in the financial market, continued to optimize the allocation of non-interest assets, and increased the investment in securities investment funds with less capital consumption and tax benefits in recent years, leading to increased dividend income. It also leveraged the advantages of its interbank ecosystem to accelerate the flow of bill transactions, resulting in increased buy-sell spread income. Furthermore, it continuously optimized the investment portfolio structure, leading to higher valuations of bonds and securities investment fund, which also contributed to the increase.

Net gains on derecognition of financial assets measured at amortized cost amounted to RMB2,242 million, representing an increase of RMB1,322 million, or 143.70% compared with the same period of the prior year, primarily due to the gains from the issuance of NPA securitization products as the Bank accelerated the NPA disposal.

Net other operating gains amounted to RMB1,418 million, representing a decrease of RMB5,791 million, or 80.33% compared with the same period of the prior year, primarily due to the fluctuation of the exchange rate of the U.S. dollar against the RMB and the impact on the base number due to redemption of preference shares in the prior year.

## Components of Net Other Non-Interest Income

*In RMB million, except for percentages*

Item	2023	2022	Increase/ (decrease)	Change (%)
Net trading gains	4,460	3,673	787	21.43
Net gains on investment securities	24,719	21,559	3,160	14.66
Net gains on derecognition of financial assets measured at amortized cost	2,242	920	1,322	143.70
Net other operating gains	1,418	7,209	(5,791)	(80.33)
Share of results of associates	18	3	15	500.00
<b>Total</b>	<b>32,857</b>	33,364	(507)	(1.52)

## Operating Expenses

During the reporting period, the Bank upheld control over total volume, prioritized profitability and rationally allocated cost resources. Operating expenses amounted to RMB225,142 million, representing an increase of RMB16,462 million, or 7.89% compared with the same period of the prior year.

In particular, deposit agency fee and others amounted to RMB114,924 million, representing an increase of RMB12,676 million, or 12.40% compared with the same period of the prior year, primarily due to an increase in scale of personal deposits taken by postal agency outlets. Staff costs amounted to RMB64,017 million, representing an increase of RMB1,139 million, or 1.81% compared with the same period of the prior year. Depreciation and amortization stood at RMB12,128 million, representing an increase of RMB828 million, or 7.33% compared with the same period of the prior year, mainly because the Bank further implemented technology empowerment strategies, accelerated digital and intelligent transformation and continuously increased investment in information technology, driving increase in depreciation of property and equipment as well as amortization of intangible assets.

### Major Components of Operating Expenses

*In RMB million, except for percentages*

Item	2023	2022	Increase/ (decrease)	Change (%)
Deposit agency fee and others	114,924	102,248	12,676	12.40
Staff costs	64,017	62,878	1,139	1.81
Depreciation and amortization	12,128	11,300	828	7.33
Taxes and surcharges	2,703	2,620	83	3.17
Other expenses	31,370	29,634	1,736	5.86
<b>Total operating expenses</b>	<b>225,142</b>	<b>208,680</b>	<b>16,462</b>	<b>7.89</b>

## Credit Impairment Losses

During the reporting period, the Bank adhered to a prudent risk management policy and made a provision for impairment in an objective and reasonable manner. Credit impairment losses amounted to RMB26,167 million, representing a decrease of RMB9,161 million, or 25.93% compared with the same period of the prior year. It was mainly because that as China's economy recovered with an upward momentum, the Bank's credit asset quality remained stable, and the provision for impairment losses on loans decreased compared with the same period of the prior year.