Venturing into New Horizons

Chinese Mainland Banking Survey
2024 Summary

August 2024

kpmg.com/cn

Table of contents

Foreword

Tony Cheung

Head of Financial Services,
KPMG Asia Pacific and China

At the very core of a country's economy lies its financial sector – a vital component in building competitiveness. Recognizing this, policymakers issued a compelling call to action during the Central Financial Work Conference in October 2023. Their mission was both bold and clear-cut: to transform China into a financial powerhouse capable of offering high-quality services in crucial societal and economic spaces.

Five sectors were highlighted for special focus – technology finance, green finance, inclusive finance, pension finance, and digital finance.

Building on this vision for 'high-quality' economic development, in May 2024 the National Financial Regulatory Administration (NFRA) introduced their 'Five Priorities' guidance. This roadmap translated the vision into actionable strategies, marking a transformational path for China's banking and insurance industries over the coming five years.

Under this scheme, China's banking sector is embarking on an innovative trajectory. This new growth path leverages the five priority areas, and aims to support the real economy. Intrinsic to this will be the creation of innovative financial products, improved service levels to the real economy, and strengthened risk management systems. At its heart, the ultimate goal remains – to secure sustainable economic growth and stability.

Thomas Chan

Head of Financial Services Assurance,
KPMG China

In 2023, economic growth and development regained a semblance of normalcy after three years of pandemic prevention and control. Fast forward to a hopeful start in the first quarter of 2024, the path to recovery has proven to be fraught with complexities, such as inadequate domestic demand, pressure on corporate operations and rising external geopolitical and economic uncertainties. The banking industry has also been facing unprecedented pressure, with the contracting profitability of traditional deposit and loan business posing issues across the sector. With net interest margins hitting a historical low in Q1 2024, it is imperative for the banking industry to adjust its business strategy to cope with internal and external challenges.

Economic uncertainties are expected to remain, and the banking industry has entered a low ebb in terms of net interest margin. Going forward, with banks reviewing their business strategies and development models, these challenges should serve as a catalyst for the banking sector's transformation towards high-quality development. While preparing the 2024 Survey Report, we found that the narrowing net interest margin has become a serious concern for the banking industry. In general, the banking industry is aware that it needs to adapt to market changes, accelerate the pace of strategic transformation, and build a more efficient and competitive business model. By taking these steps, banks will be able to maintain a competitive edge amid complexity and volatility in the financial market, and lay a solid foundation for long-term development.

Sam Shi | Head of Banking, KPMG China

All over the globe, financial institutions are trying to leverage the latest tech advancements. This is particularly noteworthy in China, where the banking industry is gearing up to go beyond just being large and aiming to be world-leading.

Naturally, this drive towards technological transformation throws up quite a few questions. Firstly, how can Chinese banks best align with the government's "five priorities" areas, including green finance, inclusive finance, and pension finance, while adopting new digital technologies? What's the best roadmap for supporting tech startups and speeding up innovation that truly adds value to the economy? And given the complex global business landscape, how can banks aim for high-quality growth, cut costs, become more efficient, and shift their focus from scale to value?

The rise of AI and other innovative technologies also poses an intriguing challenge, as the banking sector seeks to harness their benefits while dealing with any compliance and regulatory concerns. It's also impossible to ignore the crucial role talent will play – how can banks keep their teams innovative, skilled and ready for the future? In short, banks are facing a range of important challenges which we explore in this report.

Raymond Li | Partner, Financial Services
KPMG Intelligence and Insights Center for Financial Services in China
KPMG China (Editor-in-Chief)

Welcome to the 18th annual survey by KPMG dedicated to China's banking industry. With this edition, we delve deep into China's macroeconomic and financial conditions, while also assessing the development and anticipated trajectory of the banking sector. This is paired with our analysis of key regulatory policies and a detailed examination of over 20 significant topics within the industry.

Our report takes a multi-dimensional, in-depth look at the development patterns, primary drivers and future trends of China's banking industry. We have invited experts from KPMG China's various banking service lines to analyse key topics including: the government's five priorities for the banking industry, data resource accounting, high-quality development, and new quality productive forces. Our report aims not merely at data collation – it's intended to provide meaningful insights, with a focus on illuminating best practices, innovation and offer practical insights into the sector's real-world operational challenges.

The entire process has been a team effort, and I want to express gratitude to my colleagues who actively contributed to the discussions and ultimately, the report. For this edition, KPMG China utilized its extensive experience in financial auditing, collating financial data from 180 listed and unlisted commercial banks in 2023. We selected key indicators based on assets, liabilities, profit, and capital for an in-depth analysis. This has enabled us to highlight key variables that will help guide decision-makers in the banking sector. We hope the findings will further stimulate discussions and advancements within the industry.

01 Overview

Economic and financial review and outlook

Gary Cai
Head of Macroeconomic Research Institute of KPMG Research Center
KPMG China

Yuan Zeng
Associate Director,
Research Center
KPMG China

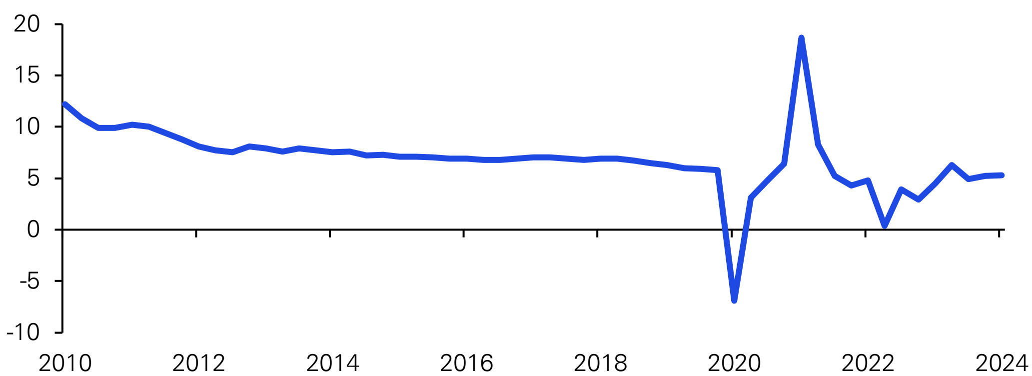
China is charting the path to a full-scale economic recovery

Following the relaxation of epidemic prevention and control measures, China's economy picked up steadily in 2023, and production and daily life returned to normal. Driven by steady macroeconomic policies and faster growth in services, real GDP grew by 5.2% year-on-year (YOY) in 2023. During the year, China demonstrated economic resilience against multiple challenges at home and abroad, as well as amid the slowdown in the global economy.

Since the second half of 2023, policies such as the issuance of trillions in sovereign bonds, cutting interest rates and the required reserve ratio (RRR), and the resumption of pledged supplemental lending (PSL) have been gradually taking effect and producing positive economic signals. Accelerating industrial production, rising consumption and a better-than-expected export rebound supported a good start in 2024. GDP expanded by 5.3% YOY in 2024 Q1, up 0.1 percentage points from 2023 Q4 (Figure 1). Considering the relatively high growth in the same period last year, the economic growth figures for the beginning of 2024 are a meaningful indicator of China's economic resilience.

Going forward, China's economy will continue to recover and gain momentum. Under the policy of stabilising market expectations, economic growth and employment, residential incomes and market expectations will gradually improve and support the ongoing recovery of the consumer market. Manufacturing investment will maintain a high rate of growth against the backdrop of equipment renewal, export recovery and the development of new quality productive forces. Infrastructure investment will also grow steadily with the support of the issuance of trillions in sovereign bonds. Meanwhile, with the prospects for overseas economic growth improving, manufacturers have started replenishing their inventory, and economies around the world have begun to relax their monetary policies. As a result, China is expected to maintain export resilience. However, we should note that the current external environment is still complex and challenging, and global geopolitical tensions may exacerbate uncertainties around global trade. Against this backdrop, China should focus its macroeconomic policies on consolidating and enhancing the recovery of the country's economy.

Figure 1 **Quarterly real GDP growth (%)**

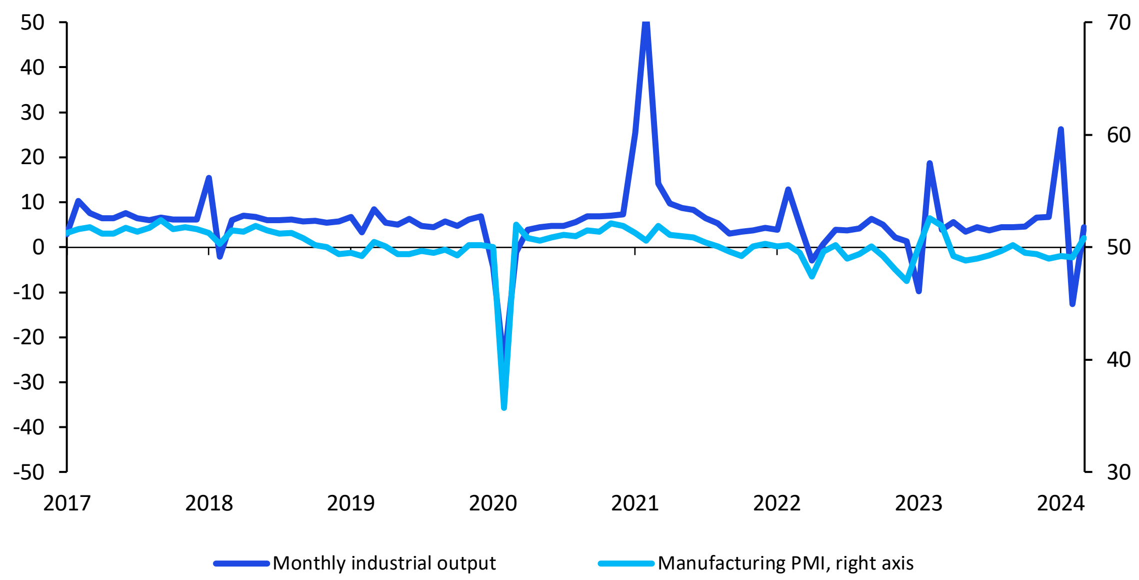


Source: Wind and KPMG analysis

The policies that were enacted to stabilise economic growth in 2023 have delivered a positive impact, and they have helped propel economic growth and the steady recovery of China's industrial production. Since January 2024, industrial production has been accelerating. Industrial output at China's major industrial companies grew 6.1% YOY in 2024 Q1, up 1.5 percentage points from annual growth in 2023 (Figure 2). While holiday spending and stronger demand from overseas markets are driving the growth of consumer goods manufacturing, manufacturing of automotives, transportation equipment, computer communications and other hi-tech products continues to post strong growth amid the effort to accelerate the development of new quality productive forces. These new engines and drivers of economic development are playing an increasingly important role in the national economy. In addition, the demand of overseas manufacturers to replenish their stock, combined with the results of China's foreign trade policy, is boosting the production of export-oriented industries.

According to the latest data, the momentum of industrial production has been improving. In March of 2024, the manufacturing purchasing managers' index (PMI) stood at 50.8%, up 1.7 percentage points from the previous month, returning to an expansionary reading of over 50 after five months. From a demand perspective, the sub-indices for new orders and new export orders rebounded above the PMI reading, reaching a new high. Meanwhile, the sub-indices for both raw materials inventory and finished goods inventory improved, and the sub-index for production and operations expectations rebounded 1.4 percentage points, surging to 55.6%. Enterprises are regaining confidence, and growing demand is expected to further accelerate corporate production.

Figure 2 Industrial output and manufacturing PMI (%)



Source: Wind and KPMG analysis

Analysis from the three demand perspectives of consumption, investment and foreign trade:

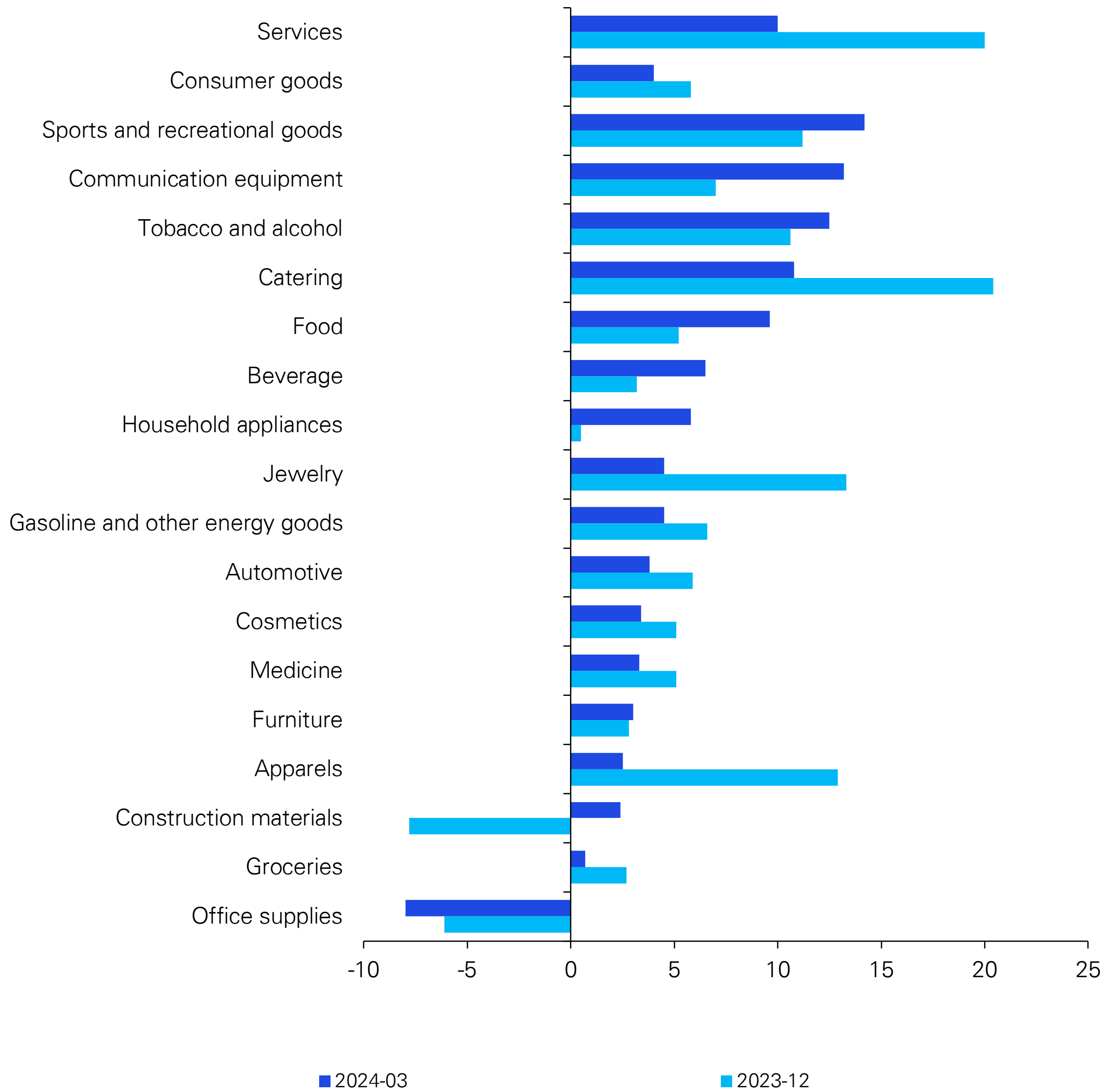
As a major driver of economic development in China, consumer spending contributes the most to economic growth. In 2023, final consumer spending drove GDP growth by 4.3%, representing 82.5% of total economic growth. As the economy heats up, the prospects for consumer sectors are improving, and residents are steadily increasing consumption spending. As a result, total retail sales of consumer goods in 2023 grew 7.2% YOY, climbing 7.4 percentage points from 2022. In 2024, consumption spending has continued to trend upward. In 2024 Q1, China registered YOY growth of 4.7% in total retail sales of consumer goods, down 3.6 percentage points from 2023 Q4, mainly due to the high base caused by the release of pent-up demand in the same period last year.

Final consumer spending in 2024 Q1 drove economic growth by 3.9%, representing 73.7% of total economic growth. From a consumption perspective, China continued to see a differentiated recovery in 2023 and 2024 Q1, with sales of services outperforming sales of goods. In 2024 Q1, retail sales of services increased by 10% YOY, exceeding retail sales of goods by 6 percentage points and continuing to serve as the main driver of the consumption recovery (Figure 3). In terms of consumer goods, sports and recreational goods and communications equipment notched double-digit growth, and sales of household goods and daily necessities maintained healthy growth, compared to the relatively low growth rate of groceries, which demonstrates the upgrading of the structure of consumption. In addition, consumption growth related to real estate has also been gaining ground as supportive policies take effect.

Going forward, under the policy of stabilising market expectations, economic growth and employment, consumption will continue to recover and return to normal. First, with employment improving and consumption scenarios diversifying, residents' ability and willingness to consume are expected to continue growing. Second, policies to encourage consumption are taking effect. The recently introduced consumer goods trade-in policy is expected to boost consumption growth for automobiles, household appliances and other big-ticket items. New-energy vehicles and green and smart home appliances are expected to see strong sales in rural areas as consumption in lower-tier markets steadily rises.

In addition, spending on services continues to grow rapidly. In recent years, China has been continuously optimising and upgrading its consumption structure, and spending on services has been growing as a share of total per capita consumption expenditure, climbing from 39.7% in 2013 to 45.2% in 2023. While services spending as a share of total consumption expenditure in China still has ground to make up to match that in the United States and other developed economies, the prospects for services spending are bright.

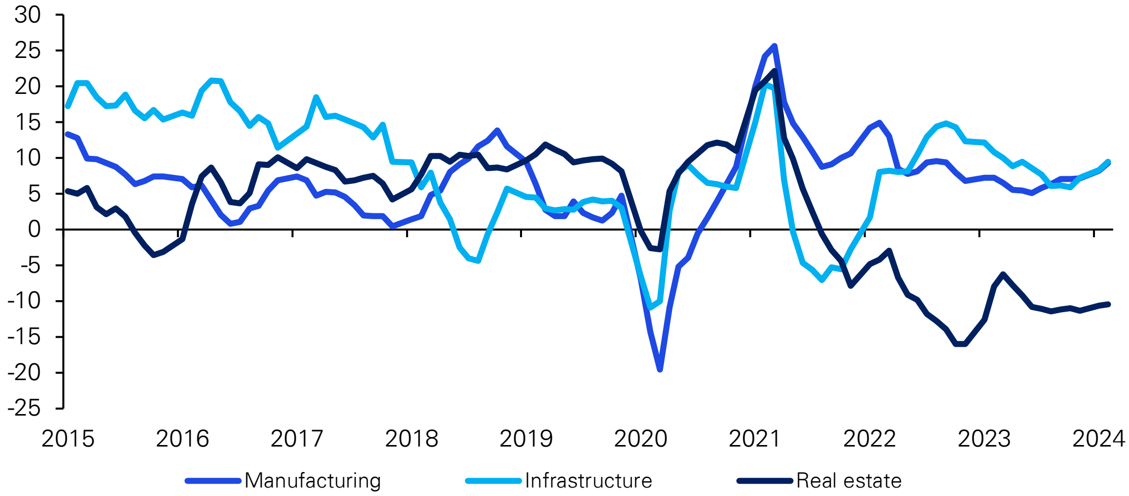
Figure 3 **YOY growth in retail sales of consumer goods by category (%)**



Source: Wind and KPMG analysis

Among the three pillars of investment—manufacturing, infrastructure and real estate—manufacturing and infrastructure investments are growing at a faster pace, and the downward trend in real estate investment appears to be flattening (Figure 4).

Figure 4 **Monthly moving weighted average fixed asset investment by sector (%)**



Source: Wind and KPMG analysis

Industrial enterprises' profitability is improving, as shown by the three consecutive months of YOY growth in finished goods inventory in 2024 Q1. Certain industries have begun actively replenishing their inventory, and manufacturing investment is clearly gearing up and building momentum. In 2023, China made significant progress in constructing a modern industrial system that is driven by technological innovation, and this system is promoting industrial innovation, upgrading industries and producing new competitive advantages. Rapidly ballooning investment is steadily increasing hi-tech industries' share of total investments. In 2024 Q1, investment in hi-tech manufacturing industries grew at a YOY rate of 10.8%, which was 0.9% higher than the growth rate of all manufacturing investments. We believe that the future of manufacturing investment will mainly be driven by the transformation from traditional to new quality productive forces.

In April 2024, the People's Bank of China (PBOC) launched a new refinancing tool with RMB 500 billion in funding, and going forward, a new round of investment in equipment renewal and technological transformation is expected to take hold. With the recovery of exports, improving corporate profitability and the continuous optimisation of the business environment for private enterprises, manufacturing investment will be further revitalised, and enterprises will be more incentivised to expand capital expenditure.

In terms of infrastructure, in 2024 Q1, infrastructure investment was supported by the additional RMB 1 trillion in special sovereign bonds issued by the State Council in October 2023, the additional RMB 500 billion of PSLs issued by the PBOC at the end of 2023 and the implementation of a number of infrastructure projects. According to the 2024 government work report, additional ultra-long special sovereign bonds of RMB 1 trillion are slated to be issued, and issuance of local government special bonds will reach RMB 3.9 trillion, up RMB 100 billion from 2023. These funds will be used to support infrastructure construction.

To coordinate the development of new quality productive forces, new infrastructure will further expand opportunities for new growth while boosting the steady growth of infrastructure investment. We should note that some provinces and cities are facing difficulties in sourcing capital for infrastructure investment in the context of defusing risks caused by existing debts. Authorities are tending to be more prudent in initiating infrastructure projects, which might hinder the growth of infrastructure investment to a certain extent.

In terms of real estate investment, at the meeting of the Political Bureau in July 2023, policymakers formally called for the need to "adapt to the new situation in which major changes have taken place in the relationship between supply and demand in China's real estate market." Both the central and local governments have introduced a number of supporting policies for real estate supply and demand to stabilise the market. Due to tighter cash flows, gloomy market sentiment and other constraints, in 2023, the real estate market did not yet hit bottom and begin rebounding. In 2024 Q1, the improving land market and the "three major projects" helped soften the decline in real estate investment, but real estate sales continued to fall. First tier cities have been relaxing their policies for regulating and controlling the real estate market, and the PBOC recently cut the five-year loan prime rate (LPR) by 25 basis points, the largest single cut since the PBOC's LPR reform in 2019. Nevertheless, market expectations are still weak. In 2024 Q1, total commercial housing area sold on a national basis and real estate sales tumbled by 19.4% and 27.6% YOY respectively, representing a fall of 10.9 and 21.1 percentage points respectively from the end of 2023. As a leading indicator of the real estate market and major source of funding for real estate companies, sales performance will have an impact on new construction area and investment for some time to come. Currently, real estate demand is still facing great pressure, and the weak real estate market is continuing to have a dampening impact on the country's economy.

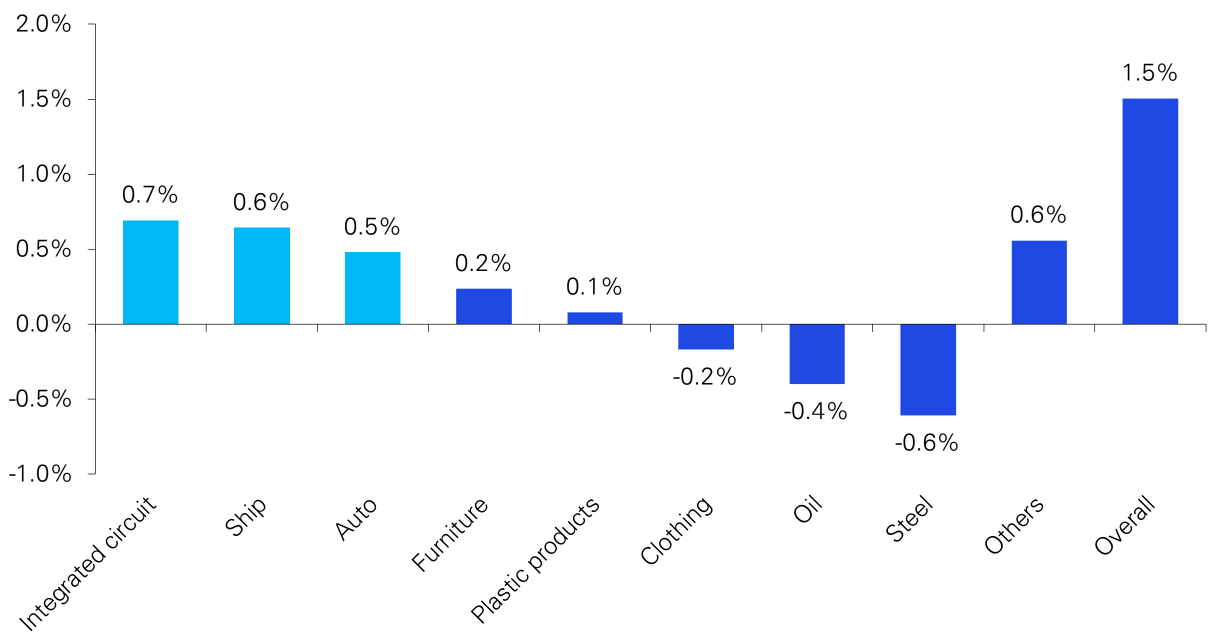
Going forward, greater support is expected to be provided to the real estate market, and policies targeting both real estate supply and demand will be introduced. Specifically, special loans for "ensuring building delivery" and the financing coordination mechanism for the real estate sector will help alleviate cash flow pressure for real estate enterprises and boost industry confidence, and local housing restriction measures will be optimised to stabilise market demand. In addition, the "three major projects" will also effectively stimulate the growth of real estate investment. We believe that it will take time to restore market confidence. The real estate sector will continue to adjust in 2024, although progress may be limited. Marginally, the real estate market is sending signals of stability and improvement, and the sector's negative impact on China's economic growth is lessening.

In 2023, China's exports suffered as the global economy faced significant pressure and geopolitical tensions. The contribution of net exports of goods and services to GDP was -11.4%, pulling down GDP growth by 0.6%. Since 2023 Q4, supported by holiday spending in overseas markets, a low base effect and other factors, China's export trade has recovered to a certain extent. Since the beginning of 2024, export demand has been increasing, and China's exports increased by 1.5% YOY in 2024 Q1.

Recently, global trade has picked up markedly. In March, the World Trade Organization's (WTO) Goods Trade Barometer recorded a reading of 100.6, representing YOY growth of 9.4%. Moreover, the Global Manufacturing PMI has exceeded the expansion/contraction line for three consecutive months, and manufacturers in the developed economies have started to replenish their inventories, which is driving export growth for China's related products. China has also maintained high growth in exports to Russia, Latin America, Africa, the Middle East and other emerging markets, which is diversifying the country's export market. In addition, as China improves its medium-end and high-end manufacturing industries, the export structure is set to upgrade, and automotives, ships, electronics and other high value-added products are increasing significantly as a share of exports and becoming new drivers for the country's export growth (Figure 5).

Looking ahead, China will maintain its export resilience under the domestic policy of stabilising foreign trade and by leveraging the advantages offered by its comprehensive industry chains. However, we should note that the current external environment is still riddled with complexity and challenges, and the restructuring of global industrial chains and global geopolitical tensions may worsen uncertainties around global trade, which might hinder export growth in 2024.

Figure 5 **Export of commodities by category in 2024 Q1 (%)**

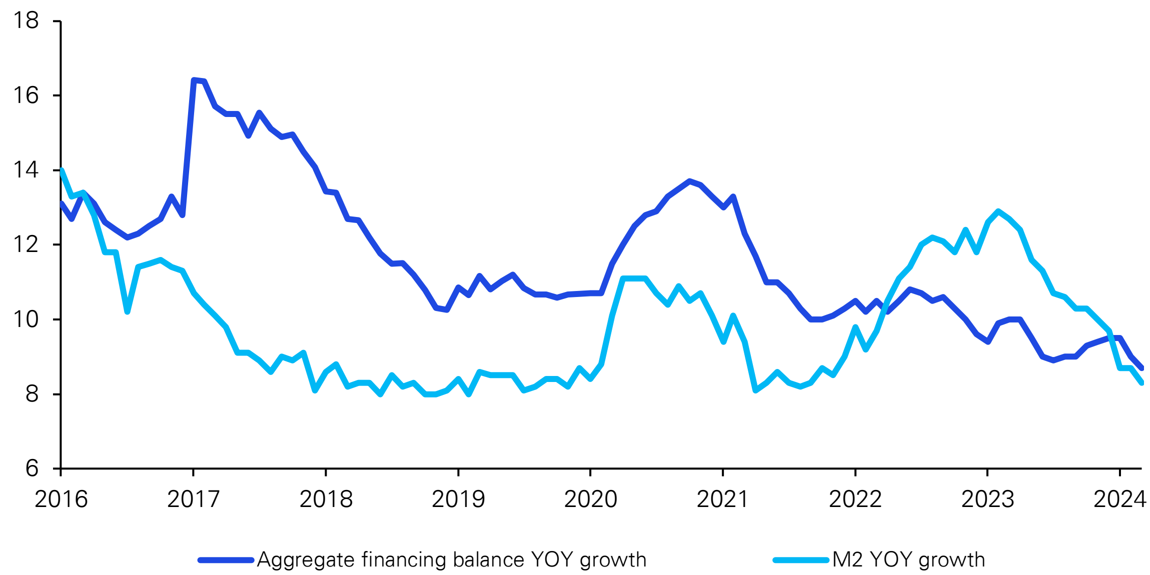


Source: General Administration of Customs and KPMG analysis

According to financial data, the total monetary supply and credit supply increased within a reasonable range in 2023. During the year, the balance of the broad measure of money supply (M2) reached RMB 292.3 trillion, representing YOY growth of 9.7%. Aggregate financing reached RMB 35.6 trillion in 2023, which reflected a modest increase of RMB 3.6 trillion and YOY growth of 9.5% from the year-end balance in 2022. In 2024 Q1, China made a good start in its macroeconomic performance with the help of stable financial support. Aggregate financing amounted to RMB 12.9 trillion, representing an increase of RMB 1.6 trillion from a high base in 2023, although still historically high for the period. At the end of March 2024, the growth rate of aggregate financing balance declined to 8.7% (Figure 6).

YOY growth of aggregate financing slid mainly due to the balanced credit supply offered by financial institutions, the relative lag in government bond financing and the high base in 2023. The higher YOY growth of corporate bond financing is a positive development in the financing structure, reflecting relaxed liquidity conditions following the RRR cut and relatively stable market interest rates. In terms of monetary supply, in 2024 Q1, M2 growth slowed to 8.3% YOY. This can be partly attributed to the contraction of the deposit multiplier effect caused by the slowdown in credit growth in Q1. Also, banks' treasury products, such as wealth management products, were collectively redeemed in 2023. To maintain their product portfolios, banks used their own funds to purchase wealth management products, which increased the broad measure of the money supply and resulted in a high base for comparison.

Figure 6 **Aggregate financing and M2 growth (%)**

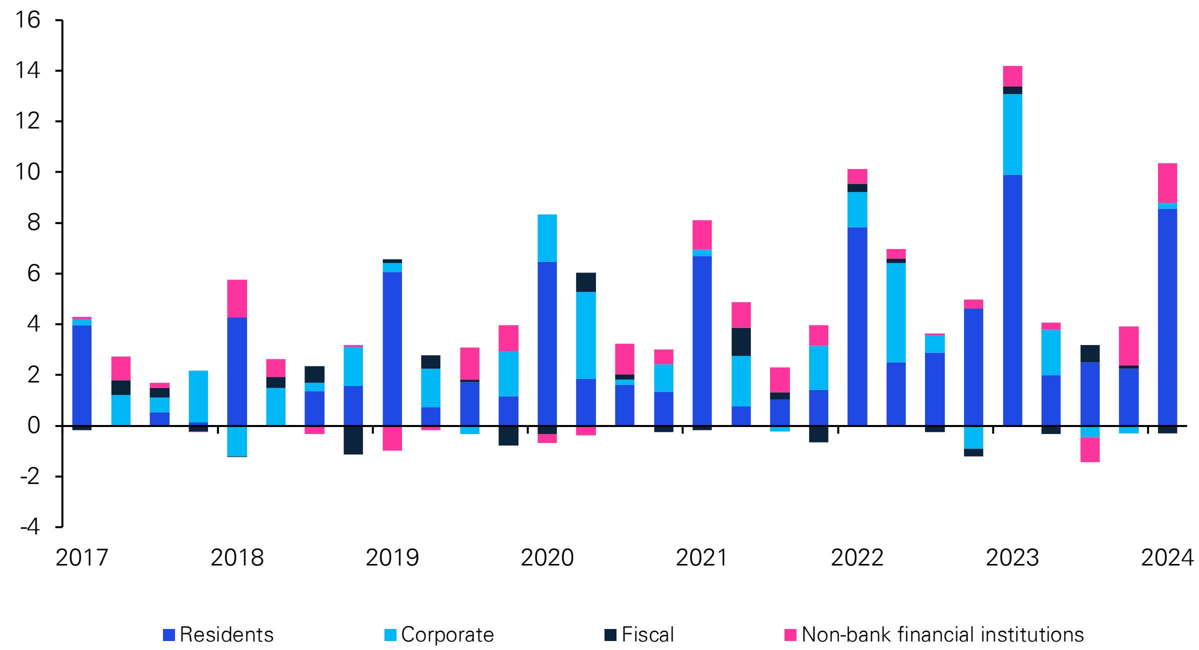


Source: Wind and KPMG analysis

Loans are a major contributor to aggregate financing. Total new RMB loans at the end of 2024 Q1 amounted to RMB 9.1 trillion, representing YOY growth of RMB 1.6 trillion and the second highest level in history. This figure accounted for 70.5% of new aggregate financing. Structurally, loans granted in 2024 Q1 still focused on corporates at the expense of individuals. In Q1, medium and long-term corporate loans surged and reached the second highest level in history as banks were encouraged by policy guidance to expand credit support for infrastructure, manufacturing and real estate development. The issuance of RMB 500 billion in PSLs, as well as the sustained economic recovery, also contributed to this loan growth. In addition, the financial sector stepped up precise support for key areas. At the end of March, the balance of medium and long-term infrastructure loans, medium and long-term manufacturing loans (hi-tech manufacturing in particular), inclusive loans granted to small and micro enterprises, and green loans all grew at double-digit rates, outperforming the growth rates of loans in all other sectors. Short-term corporate loans have also reached the second highest level in history. In terms of personal lending, the financial system has been offering effective support to small and micro enterprises and owner-operator businesses. In Q1, the scale of personal business loans swelled as a result of lower interest rates, setting off the dampening effect of a sluggish real estate market. The balance of medium and long-term personal loans grew slightly, increasing by RMB 30.8 billion YOY. In 2023, there was a sharp increase in personal consumption and short-term loans driven by pent-up demand. Personal consumption maintained a moderate recovery in 2024 Q1, and short-term personal loans were near the current average of RMB 360 billion.

At the end of 2024 Q1, new RMB deposits stood at RMB 11.2 trillion, representing YOY growth of RMB 4.2 trillion. Specifically, new residents' deposits increased by RMB 8.6 trillion, reflecting a YOY increase of RMB 1.3 trillion, although still at a relatively high level (Figure 7). The volatility of the financial market and the weak real estate market had a negative impact on investment expectations, and consumers tended to be more cautious in purchasing big-ticket items, with a stronger willingness to save. Going forward, we expect a certain amount of savings to be channelled to the consumption and investment sectors as precautionary savings are spent in light of improving economic fundamentals. In addition, deposits of non-financial enterprises increased by RMB 220 billion YOY in 2024 Q1, which reflected an increase of RMB 520 billion from 2023 Q4. This was mainly due to the recent recovery of demand for corporate financing, which gave rise to the deposit multiplier effect, driving up corporate deposits from their decline in 2023 Q3 and Q4.

Figure 7 **Quarterly new RMB loans granted by financial institutions by sector (RMB trillions)**



Source: Wind and KPMG analysis

Macroeconomic policies focus on prioritising economic stability while pursuing progress

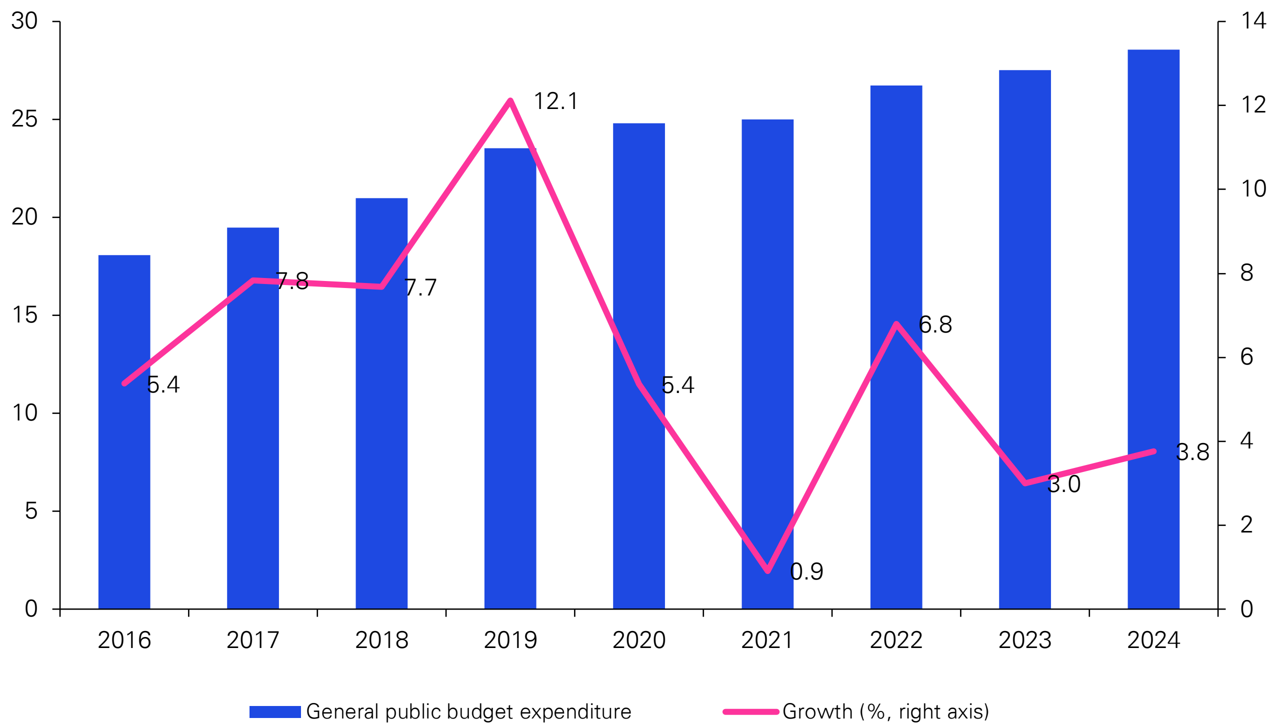
2024 represents a critical year for getting the economy on the right track. To consolidate the momentum of the economic recovery, macroeconomic policies need to focus on stabilising economic growth.

During the year, China aims to "appropriately enhance the intensity" and "improve the quality and effectiveness" of fiscal policy. Against the backdrop of restoring domestic demand and the implementation of initiatives to defuse risks caused by existing debts, "appropriately enhance the intensity" means that fiscal policies will continue to play a role in supporting the economy in 2024, but to a more moderate degree. Policies should focus on supporting economic and social development related to people's basic livelihood, regional strategies, technological breakthroughs and other key areas. For 2024, the country has set a deficit rate target of 3%, consistent with that in 2023.

In 2024, local governments in China plan to issue RMB 3.9 trillion in special bonds, up RMB 100 billion from 2023, to maintain the scale of government investment and appropriately expand the scope of sectors in which special bond funds can be invested and used as project capital. Total government expenditure is budgeted to be RMB 28.5 trillion in 2024, representing YOY growth of 3.8% (Figure 8). At the end of 2024 Q1, national general public budget expenditure stood at RMB 7.0 trillion, reflecting YOY growth of 2.9% and accounting for 24.5% of the 2024 budget. The growth in government expenditure in Q1 was 0.5% faster than that in Q1 over the last three years.

In 2024 Q1, the protection of people's livelihood was still the main focus of government expenditure; and spending on social security and employment, education, and housing security increased by 3.7%, 2.5% and 7.8% YOY respectively. In addition, funds raised by issuing additional sovereign bonds are mainly being spent on urban and rural communities; agriculture, forestry and irrigation; and disaster prevention and emergency management. In 2024 Q1, each of these three sectors recorded double-digit increases in public expenditure, rising by 12.1%, 13.1% and 53.4% YOY respectively.

Figure 8 National general public budget expenditure (RMB trillion)



Source: Ministry of Finance and KPMG analysis

Robust monetary policies should be flexible, appropriate, targeted and effective. In 2024 Q1, through monetary policies, China took the initiative to cut refinancing and rediscount interest rates for the agricultural sector and small businesses by 0.25% and the RRR by 0.5%, release more than RMB 1 trillion in medium and long-term liquidity, and cut the five-year LPR by 25 basis points in one go, creating a favourable monetary and financial environment for the economy to get off to a good start for the year. In Q1, the PBOC Monetary Policy Committee downplayed "cross-cycle policy adjustments" at its regular meeting but emphasised "focusing on counter-cyclical policy adjustments" to level off economic fluctuations by cutting the RRR and interest rates and expanding the credit supply.

At a meeting of the Political Bureau of the Communist Party of China (CPC) Central Committee in April 2024, officials stressed that, going forward, policy tools such as interest rates and RRR should be flexibly applied to increase support for the real economy and reduce the cost of aggregate financing.

From the three dimensions of total volume, structure and pricing, the PBOC will continue to diversify monetary policy tools, maintain reasonable and sufficient liquidity, keep the scale of aggregate financing and the money supply in line with expected goals for economic growth and price levels, promote the steady reduction of aggregate financing costs, and help restore effective demand. The PBOC still has the option to cut the RRR and interest rates further in the future if needed. To strengthen coordination between fiscal and monetary policies, the central bank will gradually increase the purchase and sale of sovereign bonds in open market operations, exercising one of the tools in its liquidity management and monetary policy toolkit. Structurally, the PBOC will continue to use monetary policy tools to precisely channel more financial resources to key areas such as private small and micro enterprises, technological innovation, the digital economy, green development, and infrastructure construction.

Contributed by Yuka Ding and Carrie Zhou.

2023 review and 2024 outlook for the banking industry

Raymond Li
Partner, Financial Services,
KPMG Intelligence and Insights Center
for Financial Services in China
KPMG China

Wei Wang
Associate Director,
Research Center
KPMG China

2023 review of the banking industry

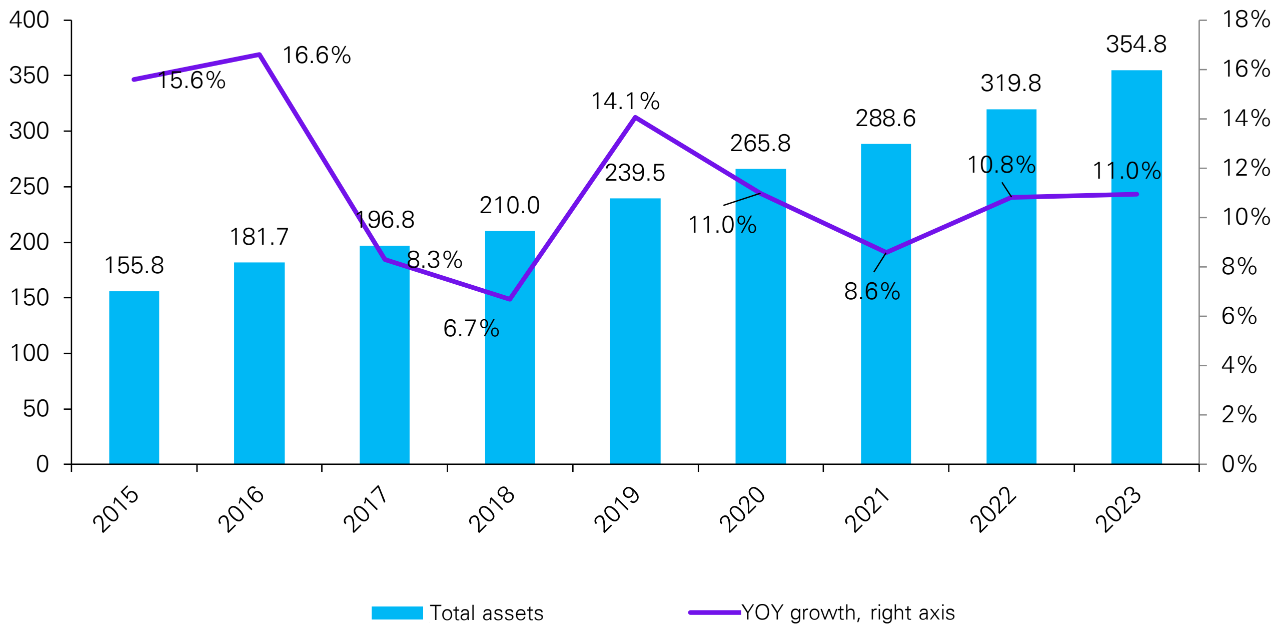
Since 2023, the banking industry, under the guidance of the Central Financial Work Conference, has further strengthened its support for the real economy, especially in key areas such as advanced manufacturing, emerging sectors, and green industries. At the same time, it has maintained a stable capital adequacy ratio, strengthened risk control capabilities, and optimised liquidity management to further improve its ability to cope with market fluctuations. These efforts have laid a solid financial foundation for the high-quality development of the Chinese economy.

Asset perspective

Total assets grow steadily, albeit at a slower rate than in the previous year

At the end of 2023, the total assets of commercial banks stood at RMB 354.8 trillion, up 11.0% YOY, amounting to 0.2 percentage points faster growth than in the previous year. The steady growth in the total assets of commercial banks points to the general stability of the banking sector (Figure 1).

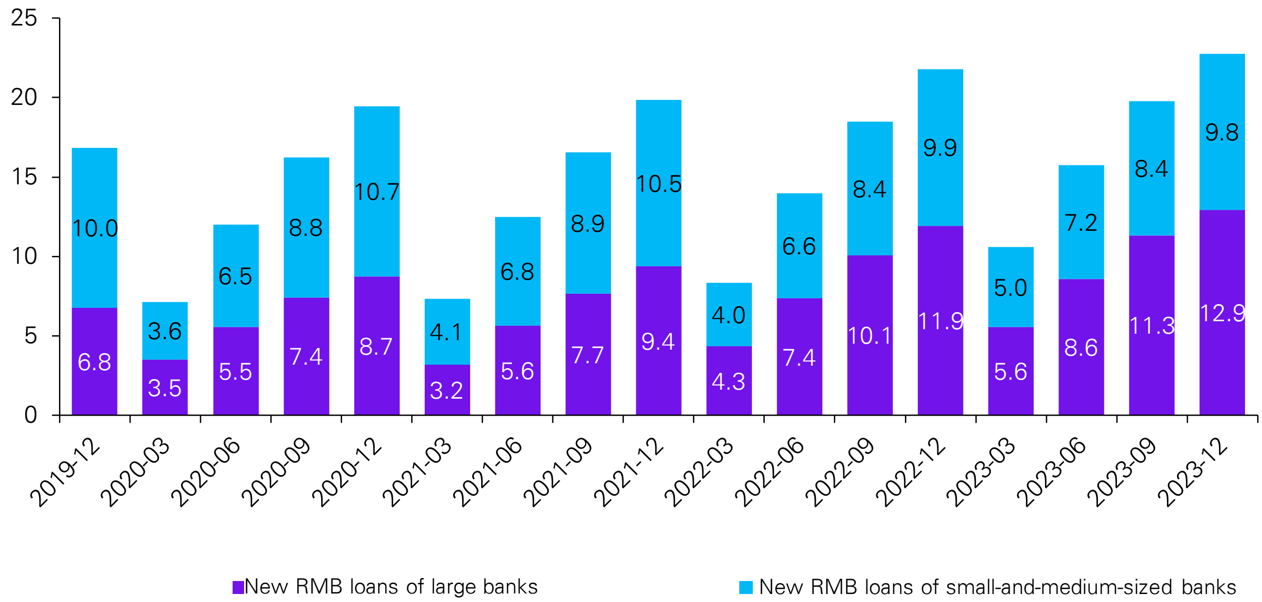
Figure 1 **Commercial banks' total assets (RMB trillions)**



Source: Wind and KPMG analysis

The rapid expansion in commercial banks' total assets was mainly driven by an upswing in bank loans. PBOC statistics show that, at the end of 2023, total accumulated new RMB loans by financial institutions stood at RMB 22.7 trillion, up by RMB 0.9 trillion or 4.3% YOY, representing slower growth than in 2022. Specifically, new RMB loans issued by large Chinese-funded banks[1] reached RMB 12.9 trillion in 2023, representing a YOY increase of 8.3%, which was 19 percentage points slower than in the previous year. Meanwhile, new RMB loans granted by small-and-medium-sized Chinese-funded banks[2] amounted to RMB 9.8 trillion in 2023, representing a much smaller YOY decline of 0.4% compared with the decline in the previous year (Figure 2).

Figure 2 **Quarterly new RMB loans of large and small-and-medium-sized banks (RMB trillions)**



Source: Wind and KPMG analysis

Loans in 2023 were channelled to corporate clients at the expense of individuals

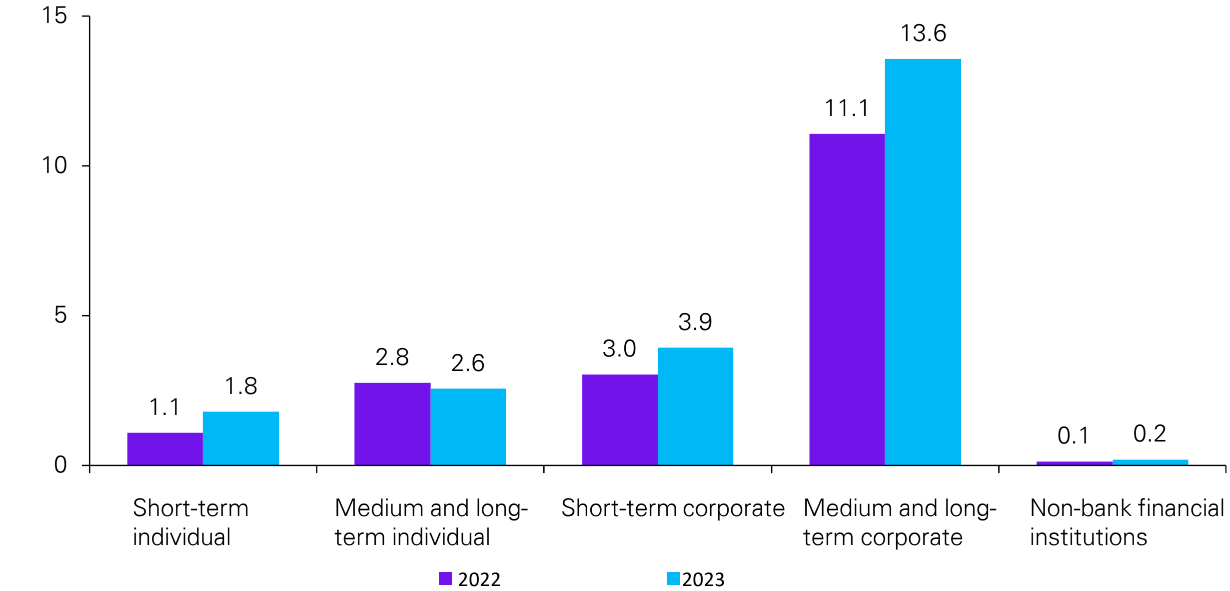
From a sectoral perspective, in 2023, loans were still focused on corporate clients at the expense of individuals (Figure 3). In 2023, total new medium and long-term corporate loans stood at RMB 13.6 trillion, which was RMB 2.5 trillion, or 22.7%, higher than in 2022. Meanwhile, total new short-term corporate loans amounted to RMB 3.9 trillion, representing an increase of RMB 0.9 trillion, or 29.4%, from 2022. In 2023, ongoing policy support measures including lower reserve ratios and interest rate cuts helped reduce corporate financing costs and facilitate loan issuance. In December 2023, the weighted average interest rate of new corporate loans reached a record low of 3.83%, representing a YOY decrease of 0.31%. Since the beginning of 2024, the PBOC has indicated that it would steadily drive down enterprises' financing costs. In the context of an improving economy, enterprises are expected to have confidence in long-term investments, and their demand for medium and long-term loans will continue to grow. At the same time, enterprises may prefer to increase short-term loans to flexibly respond to volatility in the economy.

In the context of individual loans, in 2023, total new medium and long-term personal loans stood at RMB 2.6 trillion, falling RMB 200 billion, or 7.3%, from 2022. New medium and long-term personal loans declined for the second year in a row and were less than half of pre-pandemic levels. Most medium and long-term personal loans are related to long-term financial needs such as home purchases and educational investments, and so these figures have been affected, to a certain extent, by lower home purchase confidence in the past two years. Meanwhile, total new short-term personal loans in 2023 amounted to RMB 1.8 trillion, up by RMB 700 billion, or 65%, from 2022. In addition, total new short-term personal loans in 2023 recovered to 2021 levels, partly reflecting a pick-up in demand for short-term loans driven by an improvement in consumer confidence, a rebound in daily consumption and demand for short-term capital amid the economic recovery. Bolstered by positive recovery momentum, improved income expectations and consumer confidence, and policies to stimulate consumer spending, consumption is mounting a sustained recovery, and short-term personal loans are expected to continue to grow in 2024.

[1]Banks with total assets in domestic and foreign currencies of over RMB 2 trillion (total assets in domestic and foreign currencies of financial institutions as at the end of 2008), which includes Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Agricultural Bank of China (ABC), Bank of China (BOC), China Development Bank (CDB), Bank of Communications (BoCom) and Postal Savings Bank of China (PSBC). Source of definition: PBOC

[2]Cross-provincial banks with total assets in domestic and foreign currencies of under RMB 2 trillion (total assets in domestic and foreign currencies of financial institutions as at the end of 2008). Source of definition: PBOC

Figure 3 Composition of new RMB loans (RMB trillions)

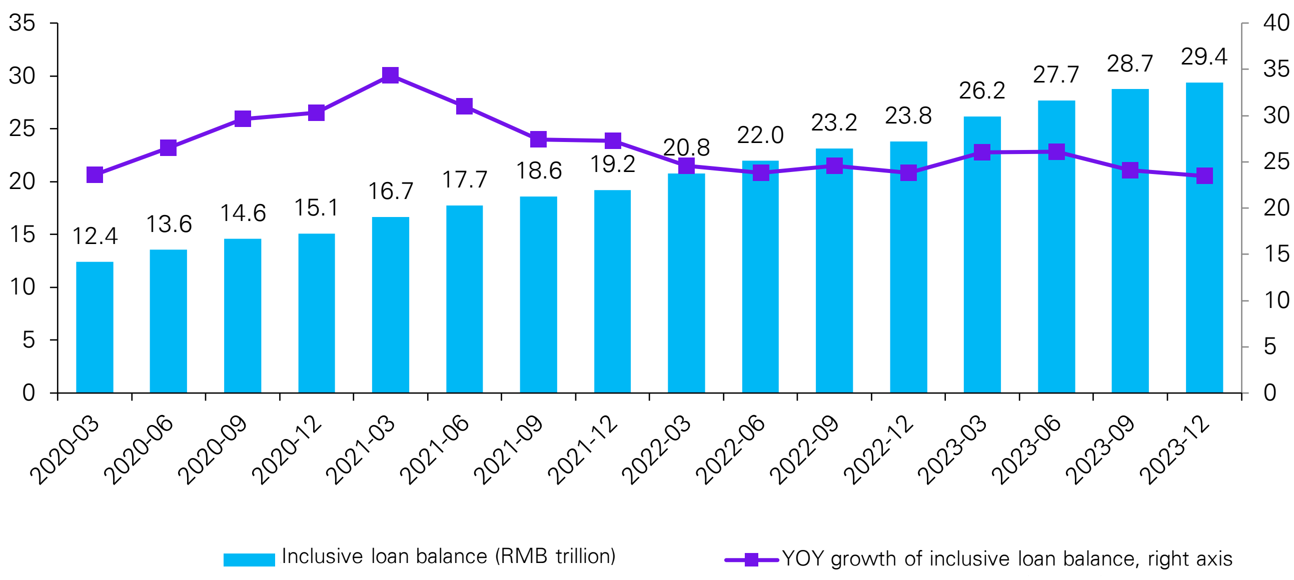


Source: Wind and KPMG analysis

Inclusive loans granted to small and micro enterprises, and green loans, maintain strong YOY growth, while personal housing loans turn negative for the first time

Over recent years, China has accelerated the transformation of its economic structure and continually optimised its credit supply structure, resulting in strong YOY growth in new types of loans such as inclusive loans granted to small and micro enterprises, and green loans, with a slower growth rate in traditional types of loans such as real estate loans and loans to local government financing vehicles. At the end of 2023, the balance of inclusive loans granted by financial institutions to small and micro enterprises stood at RMB 29.4 trillion, representing a YOY increase of 23.5%. In 2023, accumulated new inclusive loans amounted to RMB 5.6 trillion, representing an increase of about RMB 1 trillion from 2022.

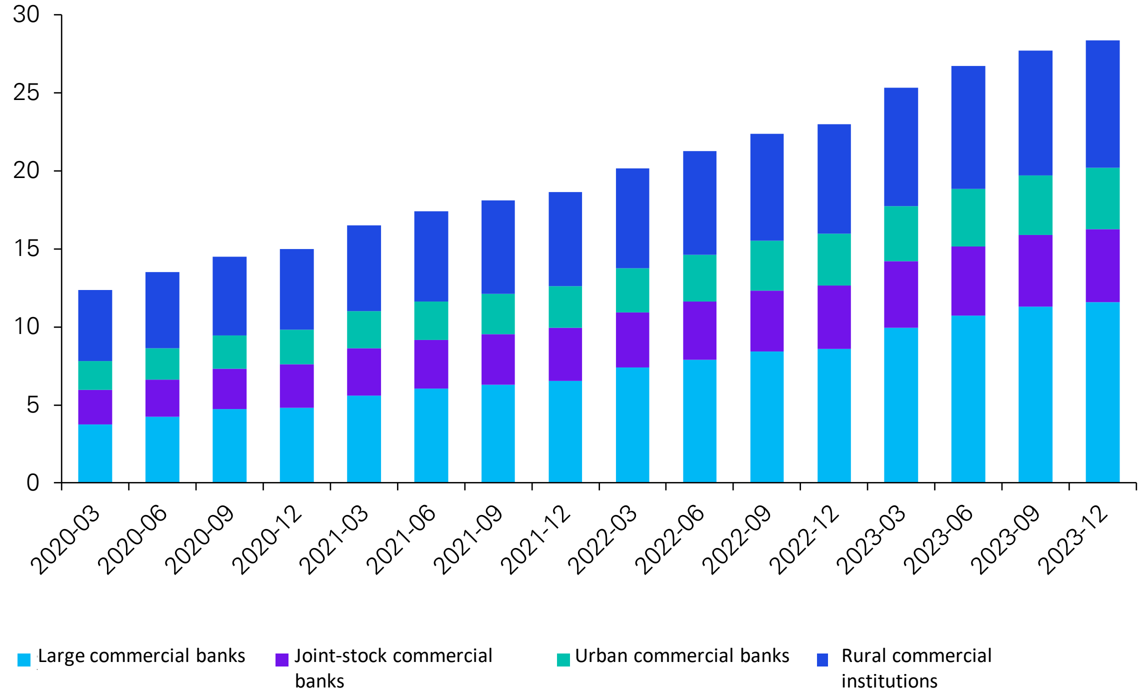
Figure 4 Quarterly balance of inclusive RMB loans granted by financial institutions to small and micro enterprises



Source: Wind and KPMG analysis

From the perspective of institutions, inclusive loans granted by large commercial banks made up the lion's share, at RMB 11.6 trillion, followed by rural financial institutions at RMB 8.2 trillion. In terms of the growth rate of inclusive loans, large commercial banks enjoyed the highest growth rate among all types of institutions at 34.6% YOY, and they were distantly followed by joint-stock commercial banks, urban commercial banks and rural financial institutions, which recorded YOY growth rates of 15.1%, 19.5%, and 16.1%, respectively (Figure 5).

Figure 5 **Quarterly balance of inclusive RMB loans granted by different types of financial institutions to small and micro enterprises**

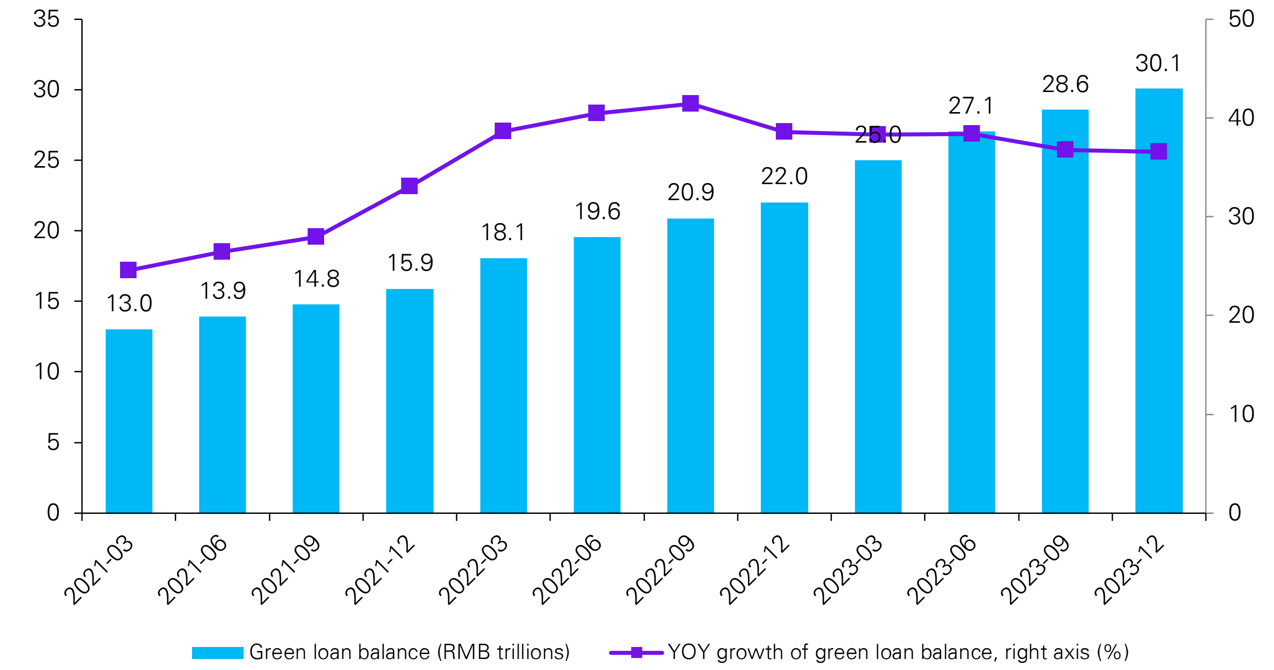


Source: Wind and KPMG analysis

In terms of green loans, the balance of green loans at the end of 2023 stood at RMB 30.1 trillion, representing YOY growth of 36.5%, 26.4 percentage points higher than the growth rate of all other loans. In 2023, new green loans amounted to RMB 8.1 trillion (Figure 6). PBOC statistics show that, at the end of 2023, loans granted to projects that will both directly and indirectly reduce emissions amounted to RMB 10.4 trillion and RMB 9.8 trillion, respectively, together accounting for 67.3% of total green loans. The expansion was bolstered by China's determination to achieve the "dual carbon" goals and by the introduction of a slew of policies to encourage the development of green finance, as the country believes that green finance is an important lever for promoting the green and low-carbon development of the economy and society.

In April 2024, the PBOC and six other ministries jointly issued the *Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development* to encourage financial institutions to use green financial standards or transitional financial standards to increase credit support for green development and the low carbon transition in sectors such as energy, industry, transportation and construction, and optimise green credit processes, products and services. Benefitting from this policy, green loans are expected to maintain rapid growth in 2024.

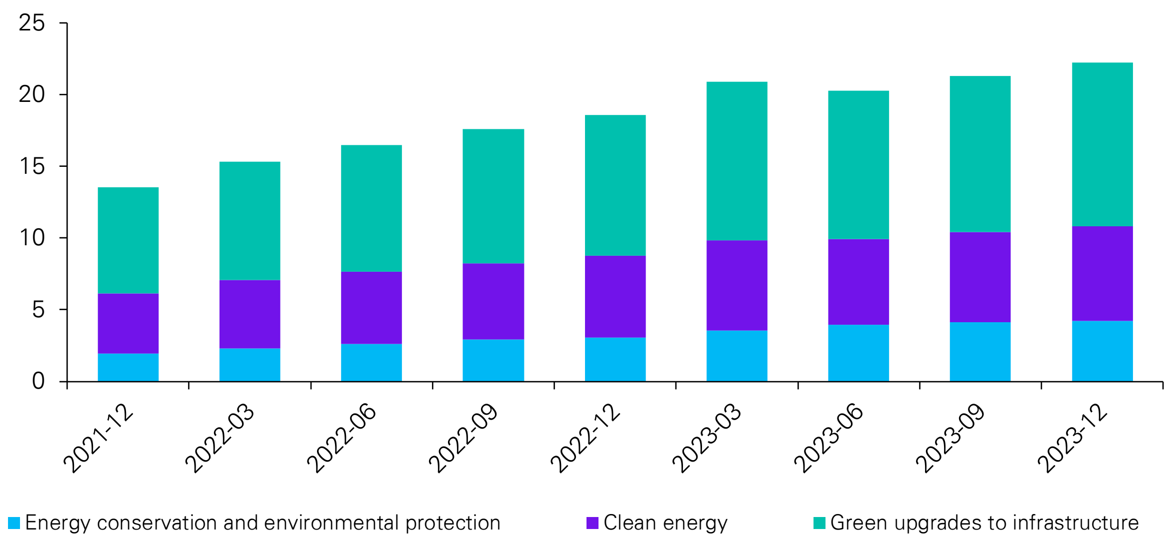
Figure 6 Quarterly balance of green loans



Source: Wind and KPMG analysis

At the end of 2023, the balance of loans granted to the energy conservation and environmental protection sector, the clean energy sector, and to green upgrades to infrastructure stood at RMB 4.2 trillion, RMB 6.6 trillion and RMB 11.4 trillion, respectively, representing respective YOY growth rates of 36.7%, 16.1% and 16.2% (Figure 7).

Figure 7 Composition of green loan balance (RMB trillions)

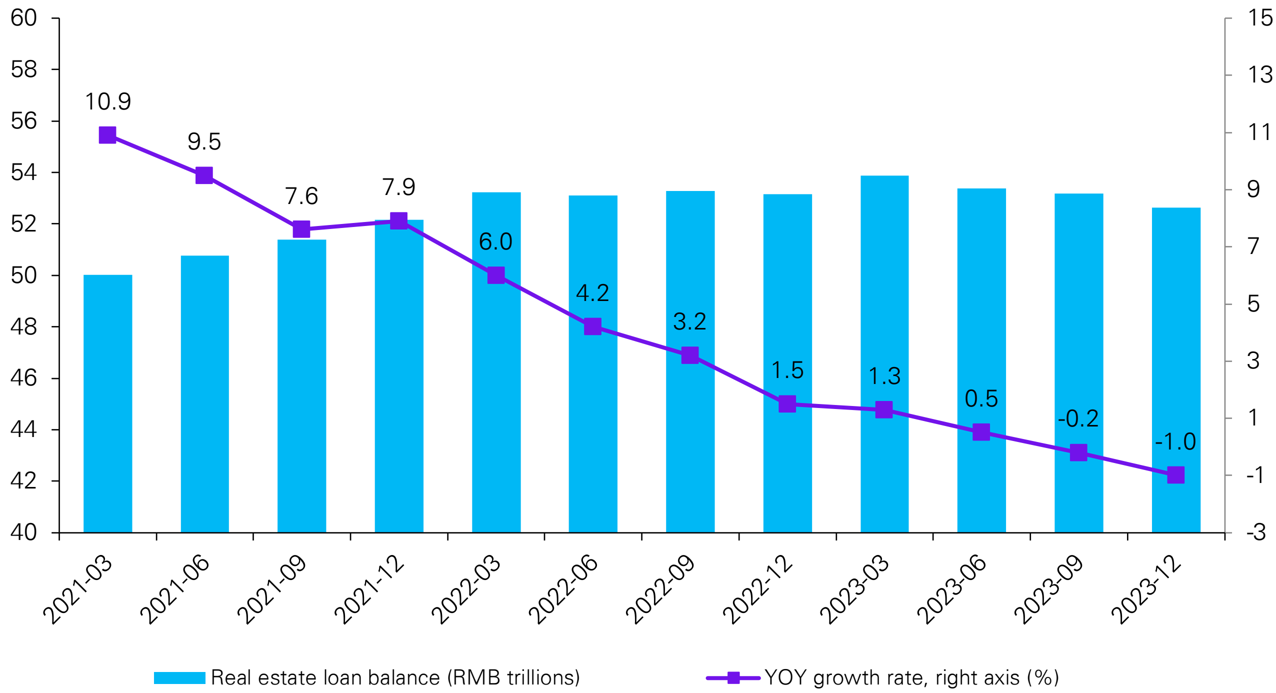


Source: Wind and KPMG analysis

The balance of real estate loans at the end of 2023 was RMB 52.6 trillion, representing a YOY decline of 1.0% (Figure 8). Last year, the real estate market was experiencing an adjustment cycle, with both real estate investment and sales remaining sluggish. Real estate development investment fell by 9.6% YOY while the floor area of commercial housing sold fell by 8.5% YOY.

Although the government has introduced several policies to promote the healthy development of the real estate sector, the prospects for a recovery in the real estate market are limited due to weak income expectations among residents and continued pressure on housing prices.

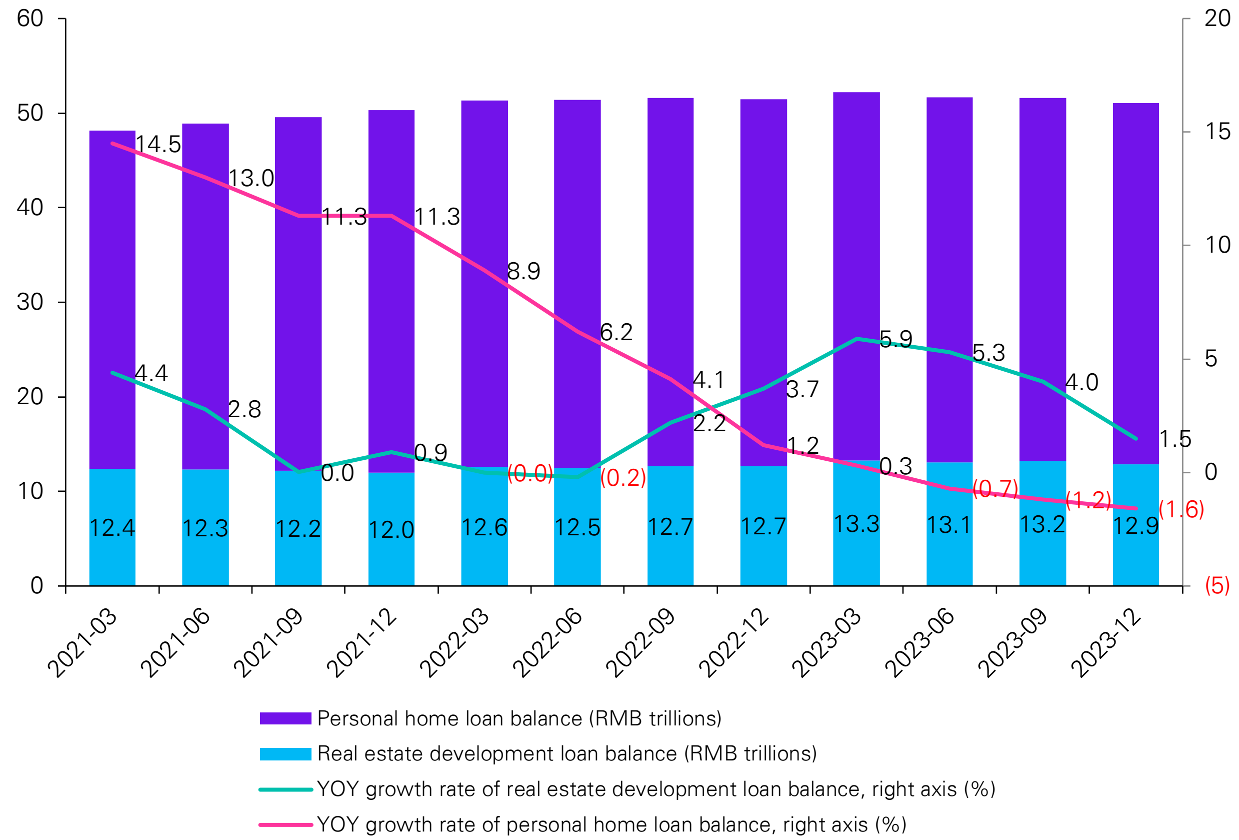
Figure 8 **Quarterly balance of real estate loans**



Source: Wind and KPMG analysis

Specifically, the balance of personal home loans at the end of 2023 stood at RMB 38.2 trillion, representing a YOY decline of 1.6%, 2.8 percentage points lower than the growth rate at the end of 2022. This is the key factor driving negative growth in the balance of real estate loans. In 2023, the balance of personal home loans contracted for the third consecutive quarter, by 0.7%, 1.2% and then 1.6%. This is the first time this figure has contracted since it was first published in 2004. Early repayments by residents increased due to interest rates on residents' existing loans still being relatively high and the capital market being very volatile. In addition, growth in residents' new housing loans lacked momentum, which also acted as a drag on the growth rate of personal housing loans. Last year, PBOC and other institutions issued a document to guide commercial banks in reducing the interest rates on a first personal loan for a home purchase, slowing down early repayments by residents. It is expected that early repayments by residents will continue to drop this year, mitigating the negative impact on personal housing loans. The growth rate in real estate development loans also slowed. The balance of real estate development loans at the end of 2023 amounted to RMB 12.9 trillion, representing a YOY growth of 1.5%, 2.2 percentage points lower than the growth rate at the end of 2022. From the overall perspective of real estate operational logic, the lack of residents' willingness to buy houses has had direct implications to sales by real estate developers, leading to increased operational pressure, and therefore limiting willingness for land acquisition and new construction and dragging down the growth rate of real estate development loans (figure 9).

Figure 9 **Quarterly balance of real estate development and individual housing loans**

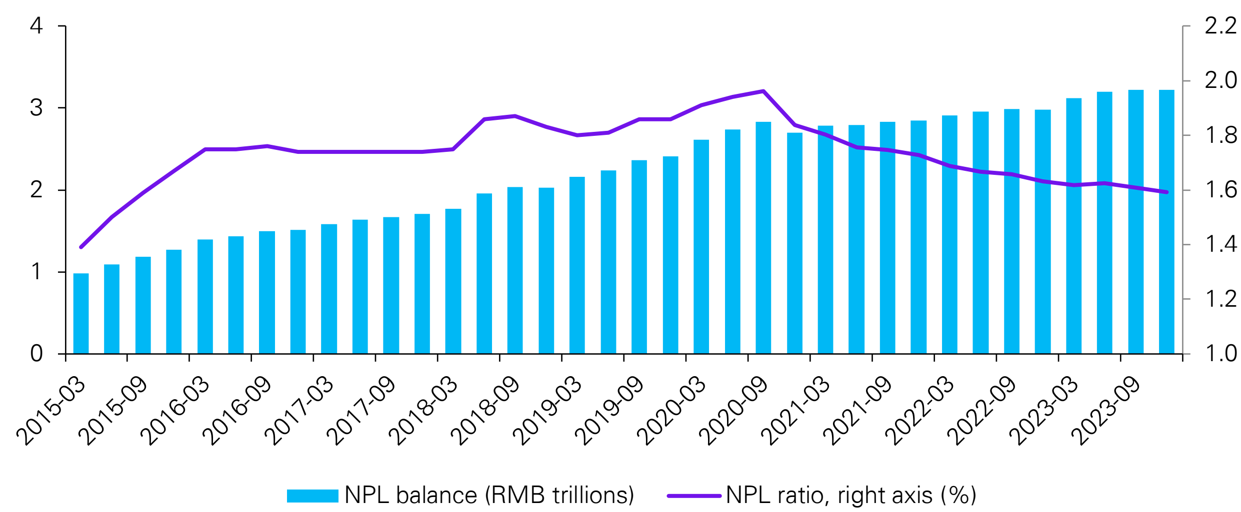


Source: Wind and KPMG analysis

The overall non-performing loan (NPL) ratio of banks continues to decline, and risk mitigation capabilities remain reasonable

At the end of 2023, the total balance of NPLs for commercial banks stood at RMB 3.2 trillion, representing a slightly quicker YOY growth of 8.14%, while the NPL ratio stood at 1.59%, marking 13 consecutive quarters of decline (Figure 10). The total cumulative amount of loans written-off during 2023 was RMB 1.1 trillion, representing a considerable YOY growth of 6.8%, indicating that commercial banks have strengthened the disposal of NPLs.

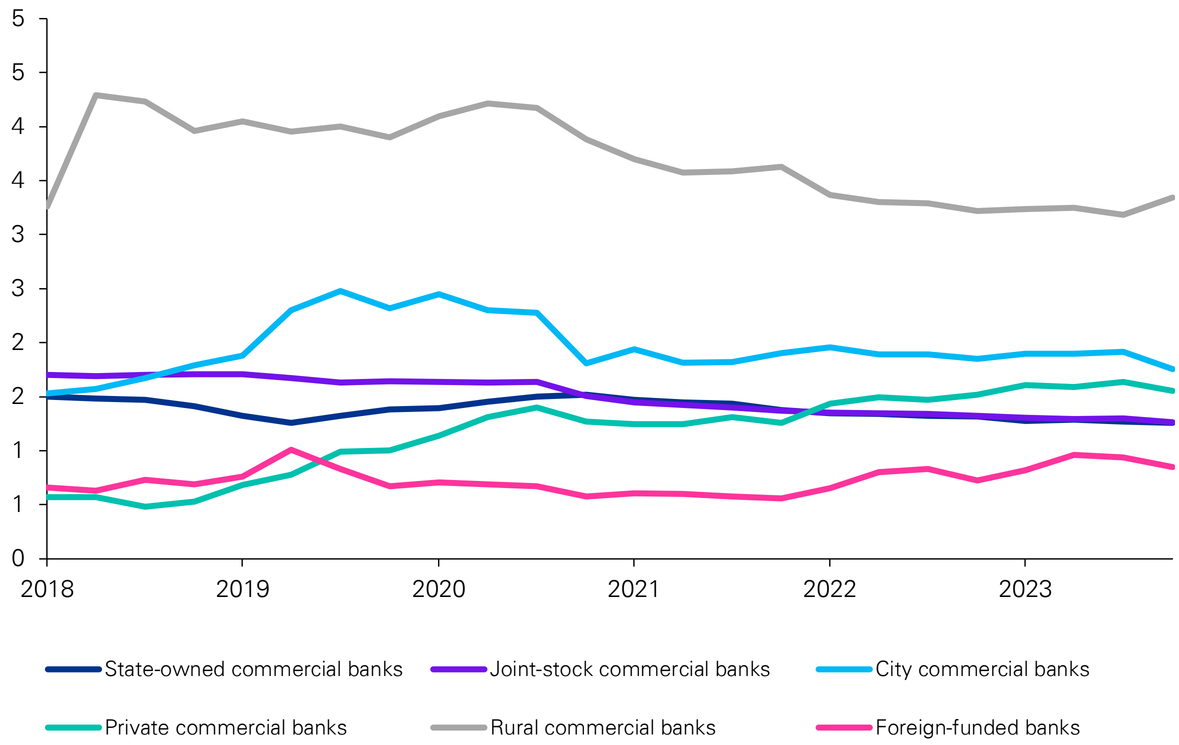
Figure 10 **Quarterly balance and ratio of non-performing loans of commercial banks**



Source: Wind and KPMG analysis

Among the different types of banks, the NPL ratios of city commercial banks and rural commercial banks remained relatively high, at 3.34% and 1.75% respectively. However, the NPL ratio of rural commercial banks has decreased significantly in recent years. State-owned commercial banks and joint-stock commercial banks have maintained relatively low NPL ratios with stability and reduction, both were at 1.26% at the end of 2023, down by 5 and 6 basis points, respectively. Private commercial banks have experienced a significant increase in NPL ratios, reaching 1.55% at the end of 2023, representing a YOY growth of 3 basis points (figure 11). Affected by the macroeconomic environment, consumption is weak, leading to rising NPL exposure in the small and micro lending industries. However, in general, China's commercial banks have stepped up efforts to dispose of non-performing assets, and prevent and mitigate financial risks to ensure the overall financial risk is manageable.

Figure 11 **Quarterly non-performing loan ratios of different commercial banks[3] (%)**



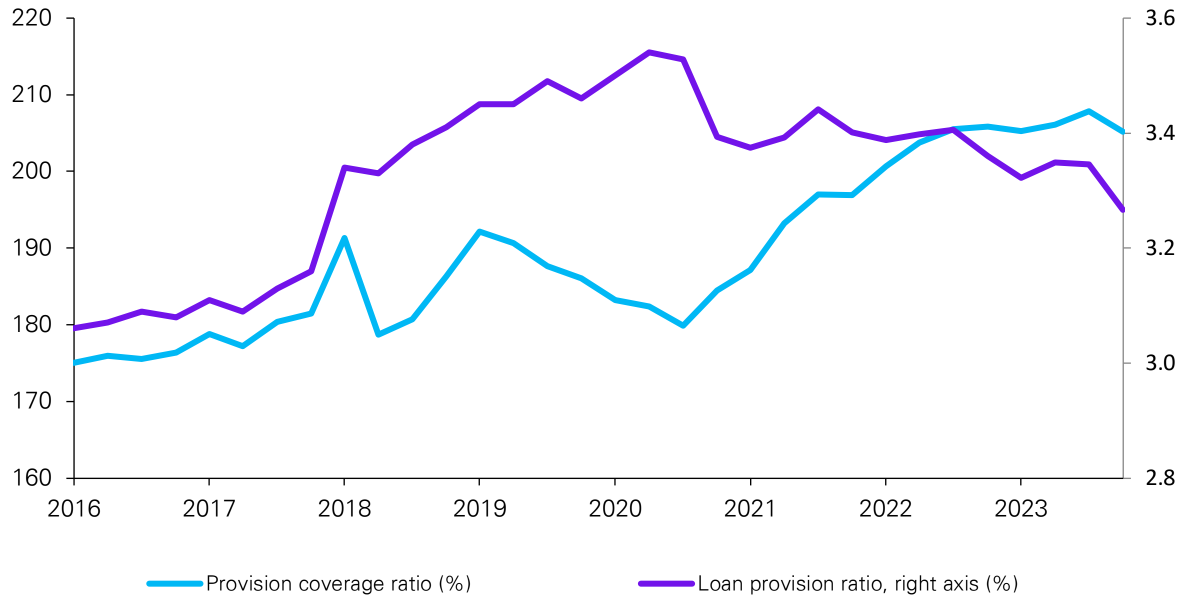
Source: Wind and KPMG analysis

At the end of 2023, the provision coverage ratio of commercial banks was 205.1%, down 0.71 percentage points YOY, but still at a high level. This shows that commercial banks have made sufficient provisions for non-performing loans. Loan provision ratios stood at 3.3%, down 0.09 percentage points YOY, and higher than the regulatory indicator requirement, indicating that the risk mitigation capabilities are still at a reasonable level (Figure 12).

Among the different types of banks, the loan provision ratios of large commercial banks, joint-stock commercial banks, city commercial banks, and rural commercial banks were 248.5%, 219.1%, 194.9%, and 134.4%, respectively. The loan provision ratios of large commercial banks, joint-stock commercial banks, city commercial banks increased by 3.4, 4.9, and 3.4 percentage points YOY, respectively, while those of the rural commercial banks decreased by 8.9 percentage points YOY.

[3] According to the List of Banking Financial Institutions released by the former CBIRC, the six large commercial banks are ICBC, CCB, ABC, BOC, BoCom and PSBC. PSBC has been included among the six large commercial banks since 2019.

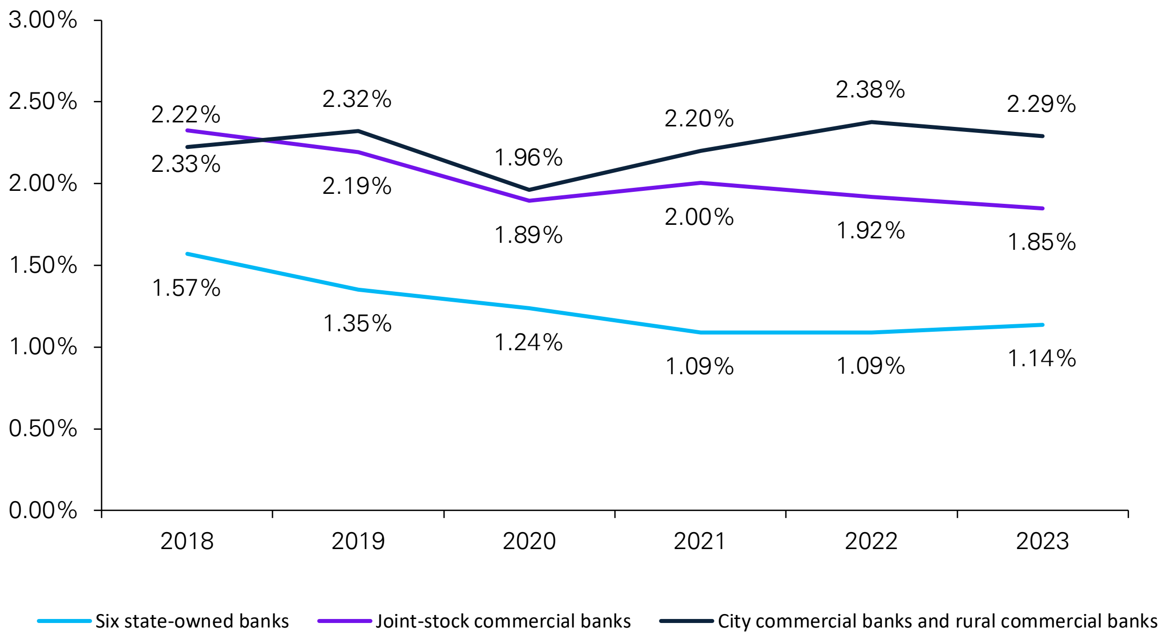
Figure 12 Quarterly loan provision ratios and provision coverage ratios of commercial banks



Source: Wind and KPMG analysis

Combined with the overdue ratio of 58 listed banks[4], the overdue ratio of different types of loans has seen a fluctuating downward trend in the recent five years, indicating that asset quality has improved. Specifically, the overdue ratio of the six state-owned commercial banks was 1.14% in 2023, up 5 basis points YOY, the overdue ratio of the joint-stock commercial banks was 1.85%, down 7 basis points YOY. The overdue ratio of city commercial banks and rural commercial banks was 2.29%, down 9 basis points YOY. However, the overall level is still high and there is a need to focus more on the risk of the underlying assets (Figure 13).

Figure 13 Loan overdue ratio of listed banks



Source: Wind and KPMG analysis

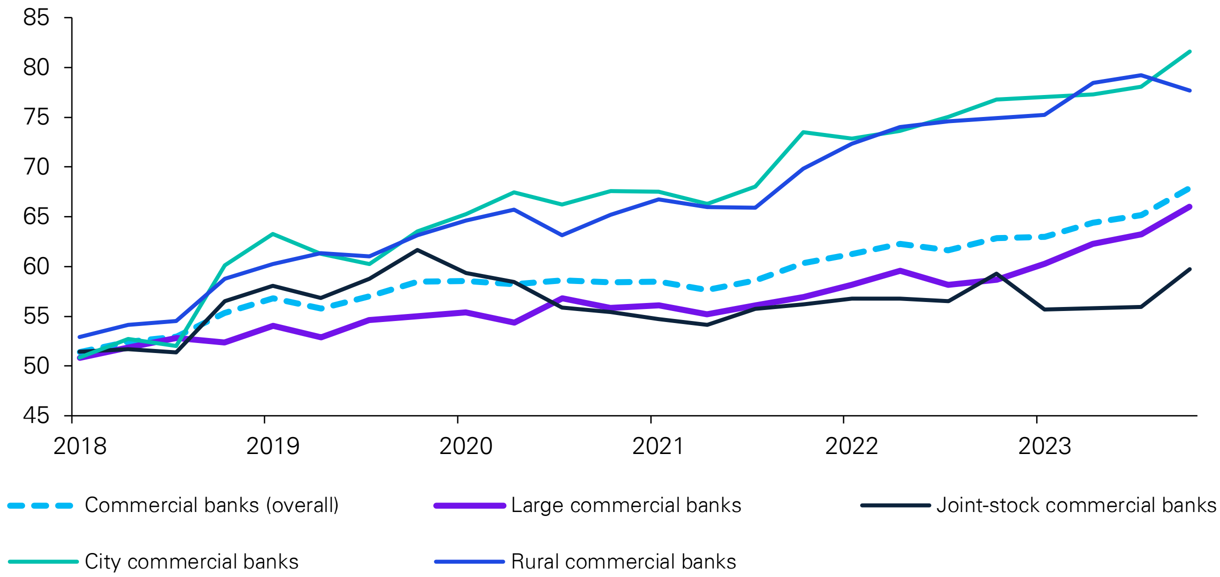
[4] Bank of Jinzhou was delisted in 2024, bringing the number of A-share and H-share listed banks in China to 58. As these 58 listed banks include the six state-owned commercial banks, joint-stock commercial banks, city commercial banks and rural commercial banks, some data in this report use these 58 listed banks as a sample for analysis.

The *Measures for the Risk Classification of Financial Assets by Commercial Banks* took effect on 1 July 2023, and emphasised a classification concept that focuses on the debtor's performance ability. It also clarified the objective indicators and requirements for risk classification, and helped push commercial banks to continuously improve their risk management capabilities. According to these measures, commercial banks are able to reclassify existing assets during a longer transition period, and subsequently focus on the impact on asset quality, provisioning and working procedures.

Liquidity steadily improves

At the end of 2023, the overall liquidity ratio of commercial banks stood at 67.9%, around 5 percentage points higher YOY, demonstrating a general trend of steady improvement. The liquidity ratios of large commercial banks, joint-stock commercial banks, city commercial banks, and rural commercial banks rose by 7.4, 0.4, 4.8 and 2.7 percentage points YOY, respectively, indicating varying marginal improvements (Figure 14).

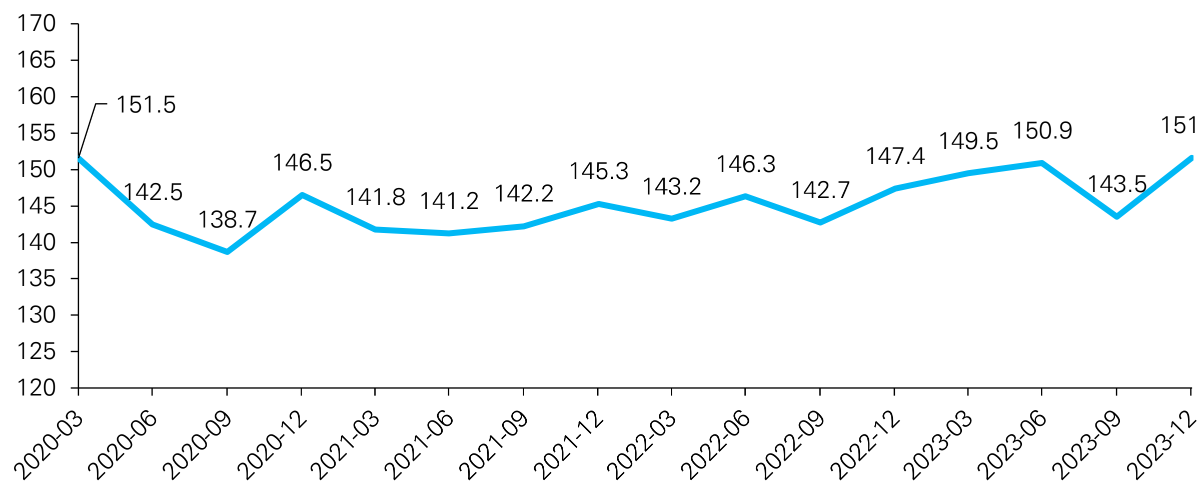
Figure 14 Quarterly liquidity ratios of commercial banks (%)



Source: Wind and KPMG analysis

The liquidity coverage ratio refers to the ratio of high-quality liquid asset reserves against net fund outflows for the following 30 days. The overall liquidity coverage ratio in the industry was 151.6% at the end of 2023, up 4 percentage points YOY, and higher than the regulatory indicator of 100% specified in the *Administrative Measures on Liquidity Risk of Commercial Banks* (Figure 15).

Figure 15 Quarterly liquidity coverage ratios of commercial banks (%)



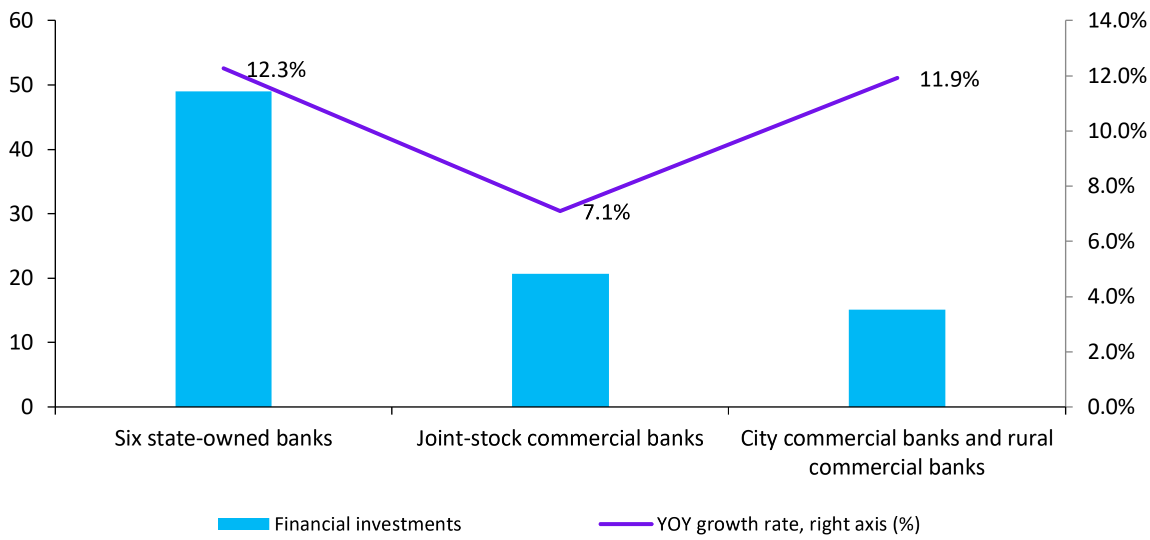
Source: Wind and KPMG analysis

Financial investments continue to grow, with banks holding a generally stable structure of bonds

Financial investments account for the second largest component of commercial banks' assets after loans. In 2023, the financial investments of 58 listed banks (including six state-owned commercial banks and joint-stock commercial banks) accounted for a total balance of RMB 84.8 trillion, representing YOY growth of RMB 8.3 trillion or 10.9%. The growth of financial investments is mainly due to banks expanding investment in treasury bonds, local bonds, green bonds, and engaging in other investments that support the development of the real economy.

Specifically, the total balance of financial investments of the six state-owned commercial banks was RMB 49.0 trillion, representing YOY growth of RMB 5.35 trillion or 12.3%. The total balance of financial investments of joint-stock commercial banks was RMB 20.6 trillion, representing YOY growth of RMB 1.37 trillion or 7.1%. The total balance of financial investments of city commercial banks and rural commercial banks was RMB 15.1 trillion, representing YOY growth of RMB 1.61 trillion or 11.9% (Figure 16).

Figure 16 Financial investments of listed banks (RMB trillions, %)

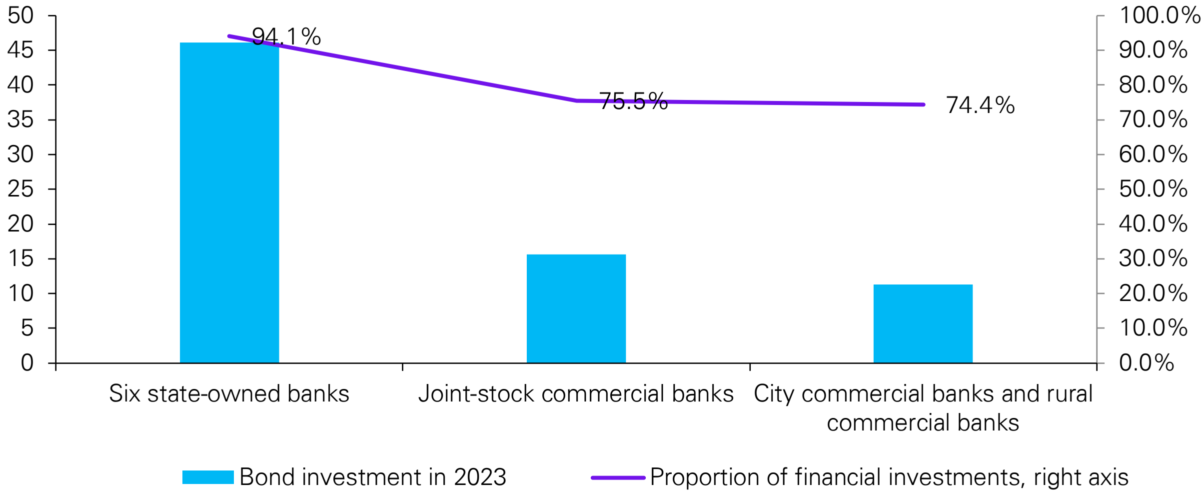


Source: Summarised findings from listed banks' 2023 annual reports, and KPMG analysis

As commercial banks face stringent regulatory requirements, bonds remain an attractive option for financial investments due to their stable returns, strong liquidity, and massive circulation. Among the 58 listed commercial banks, bond investments reached RMB 73.0 trillion in 2023, accounting for 86% of their financial investments, maintaining the upward trend of 2022 by 0.4 percentage points YOY.

Specifically, bond investments of the six state-owned commercial banks and city commercial banks and rural commercial banks accounted for 94% and 74% of the banks' financial investments, respectively, up 0.8 and 5.3 percentage points YOY, indicating a more conservative investment style. Bond investments of joint-stock commercial banks accounted for 76% of the banks' financial investments, down 4.5 percentage points YOY, indicating that they invest more in equity investment products (Figure 17).

Figure 17 **Bond investments of listed banks (RMB trillions, %)**

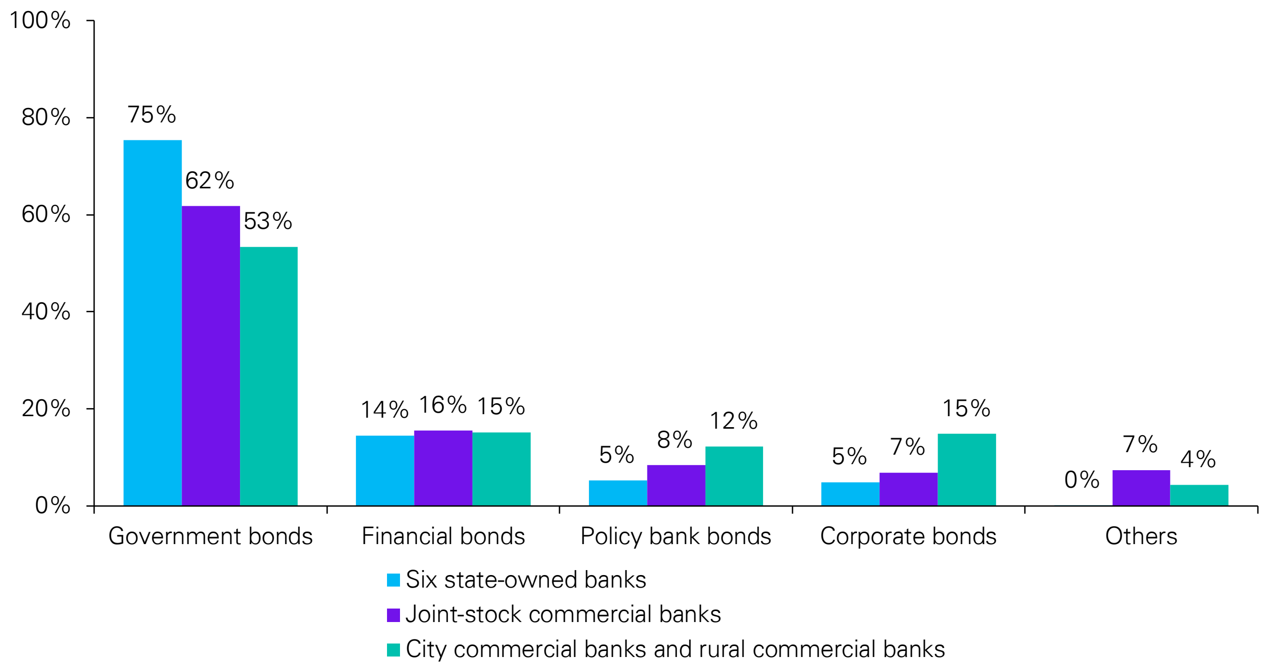


Source: Summarised findings from listed banks' 2023 annual reports, and KPMG analysis

In terms of the structure of bonds held by the 58 commercial banks, government bonds, financial bonds and policy bank bonds are the top 3 investment categories, accounting for 69%, 15% and 7% of the total bond investment respectively, which is almost the same as last year.

Specifically, government bonds accounted for 75% of the bond investment of the six state-owned commercial banks, which is much higher than other banks, the difference in the proportion of financial bonds held by different banks is small, around 15% each, while the proportion of policy bank bonds of city commercial banks and rural commercial banks is higher than other banks, accounting for 12% of its bond investment. Moreover, city commercial banks and rural commercial banks also held a higher proportion of corporate bonds than the other two categories, up to 15% (Figure 18).

Figure 18 **Bond investment structure of listed banks (RMB trillions, %)**



Source: Summarised findings from listed banks' 2023 annual reports, and KPMG analysis

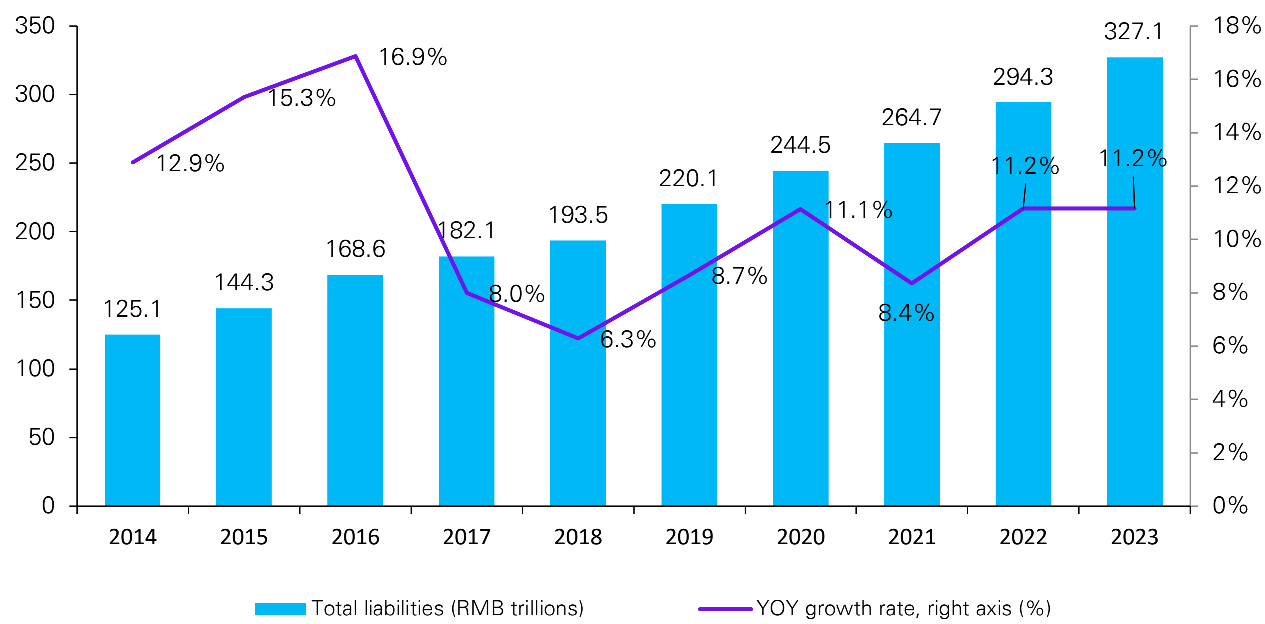
Liability perspective

Liabilities

Deposits are the main driver of debt growth in the banking sector. Last year, capital market fluctuations led to low wealth management income; the gloomy housing market undermined residents' willingness to buy a home, and an increase in residents' preventive savings contributed to a steady increase in deposits. According to the PBOC's survey statistics, 62.2% of residents chose "more savings deposits" in Q3, the highest level since these statistics have been made available to the public. This figure declined slightly to 61% in Q4, but is still at a very high level [5].

Against a backdrop in which residents' propensity to save is climbing, the liabilities of commercial banks have maintained a high growth rate. In 2023, total liabilities of commercial banks amounted to RMB 327.1 trillion, up RMB 32.9 trillion or 11.2% YOY (Figure 19). Since the beginning of the year, the cost of liabilities has put pressure on banks' operations, and many banks have started to actively reduce deposit interest rates. For example, they have stopped or reduced the issuance of high-interest deposit products, such as certificates of deposit with maturities over 3 years and intelligent notice deposits. The growth rate of deposits is expected to decline this year.

Figure 19 Total liabilities and liability growth rates of listed banks



Source: Wind and KPMG analysis

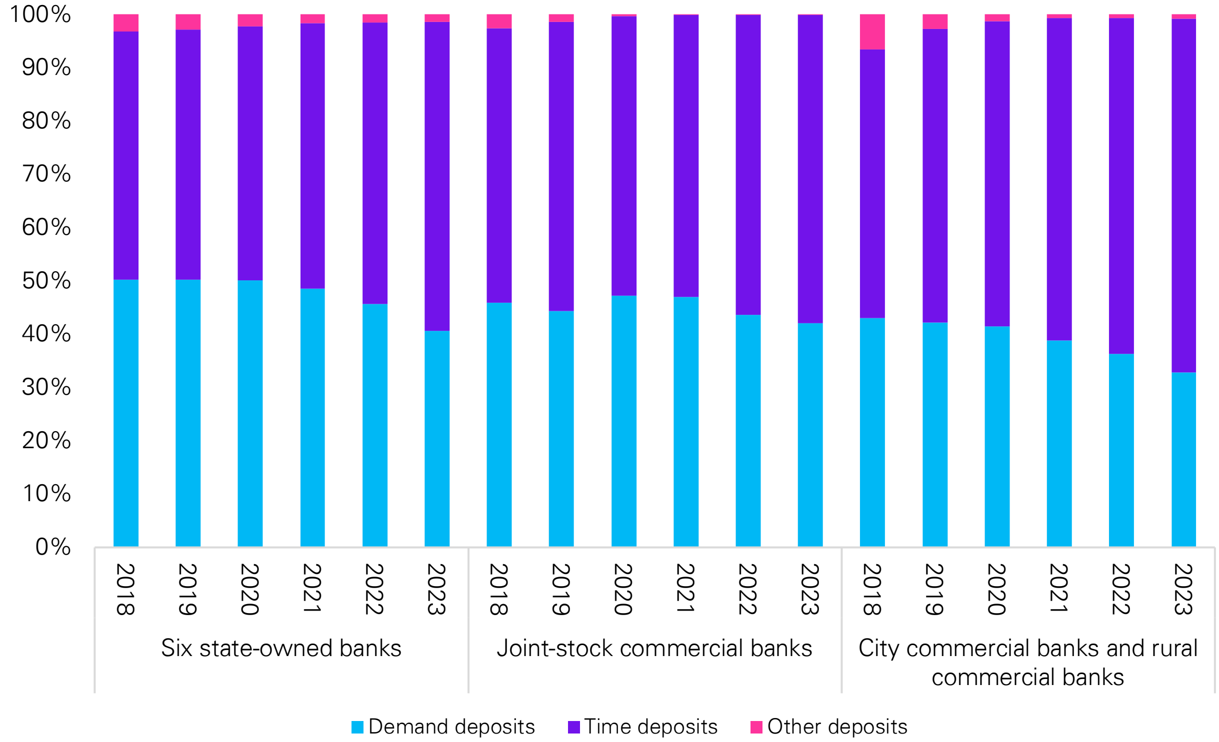
[5] 2023 Q3 Urban Depositor Survey Report (2023 年第三季度城镇储户问卷调查报告), PBOC
http://www.pbc.gov.cn/diaochatongjisi/116219/116227/5300689/2024032217131754629.pdf

Time deposits account for 59% of total deposits while personal deposits continue to grow

In recent years, as the risk appetite of residents has evolved, and capital market volatility and economic uncertainties have increased, residents have tended to opt for safer investments, which has boosted demand for time deposits. Despite the fact that commercial banks have reduced interest rates on time deposits several times, both fixed-term and long-term trends are continuously rising. For example, in 2023, time deposits at 58 listed commercial banks totalled RMB 115.8 trillion, accounting for 59.0% of their total deposits, up 4.2 percentage points YOY.

Specifically, time deposits at the six state-owned banks accounted for 58.0% of their total deposits, an increase of 5.1 percentage points YOY. Time deposits at joint-stock commercial banks accounted for 57.9% of their total deposits YOY, an increase of 1.6 percentage points. Time deposits at city commercial banks and rural commercial banks accounted for 66.4% of their total deposits, an increase of 3.4 percentage points YOY (Figure 20). At the same time, the proportion of demand deposits at the listed banks in 2023 continues to decline, with demand deposits at 58 listed commercial banks accounting for 66.4% of total deposits, down 4.1 percentage points YOY.

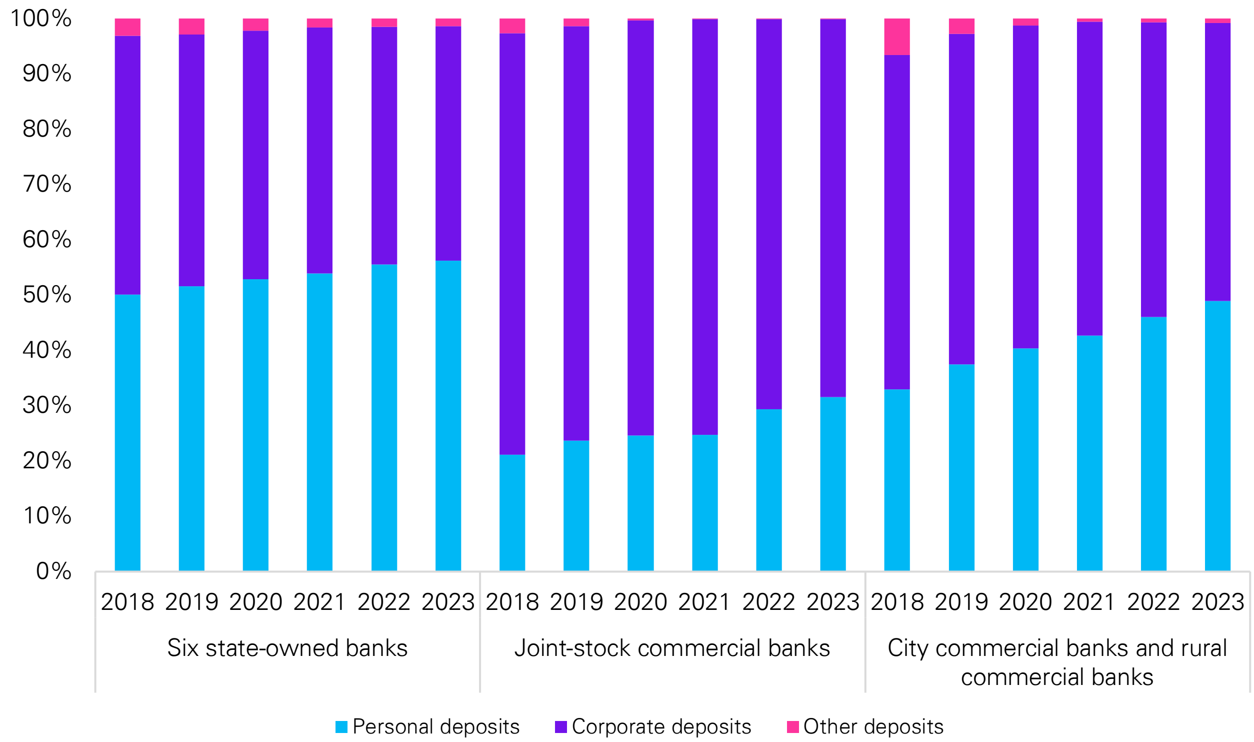
Figure 20 Deposit maturity structure of listed banks



Source: Wind and KPMG analysis

The scarring effect of the epidemic still lingers, both residents' income and employment expectations have declined, and willingness to consume is low, leading to an increase in passive and contingent deposits. In 2023, personal deposits at 58 listed commercial banks accounted for 50.4% of their total deposits, down 1.5 percentage points YOY. Specifically, the share of personal deposits at the six state-owned banks, joint-stock commercial banks, city commercial banks and rural commercial banks is 56.3%, 31.5% and 48.9%, respectively, up by 0.7, 2.1, and 2.9 percentage points YOY. It is worth noting that in recent years, city commercial banks and rural commercial banks have vigorously developed personal customer business, and as a result, the size of personal deposits at these banks increased by 16% from 2018 to 2023 (Figure 21).

Figure 21 Proportion of personal and corporate deposits of listed commercial banks



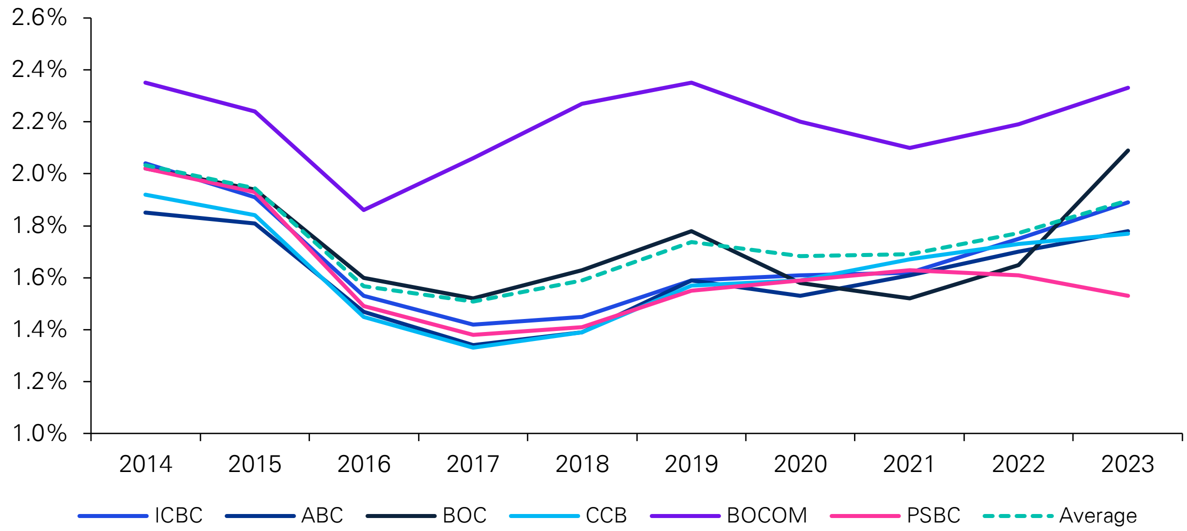
Source: Wind and KPMG analysis

Average cost of interest-bearing deposits at the six state-owned banks increase for the third consecutive year, with deposit interest payments continuing to rise

The average cost of interest-bearing deposits at the six state-owned commercial banks stood at 1.90% at the end of 2023, up 0.08 percentage points YOY, and on an upward trend for three consecutive years. Except for PSBC, the remaining five banks all saw an increase in the cost of interest-bearing deposits, with Industrial and Commercial Bank of China (ICBC) recording the largest increase of 0.44 percentage points. In 2023, PSBC' s cost of interest-bearing deposits fell to 1.53%, down 0.08 percentage point YOY, making it two consecutive years of decline (Figure 22).

Despite the fact that commercial banks cut interest rates for deposits with different maturities several times in 2023 in an attempt to reduce the cost of interest-bearing deposits, the trend towards a larger share of fixed-term and long-term deposits is becoming more evident, which, together with the intensified market competition, is pushing up interest rates and causing the cost of interest-bearing deposits to rise rather than fall. According to the annual reports of the six state-owned commercial banks, the proportion of time deposits of all six exceeded 50% for the first time in 2023, among which PSBC' s proportion of time deposit reached 70.2%. At the same time, time deposits of commercial banks increased significantly. ICBC had growth of RMB 4.18 trillion, up 27.6% YOY.

Figure 22 **Cost of interest-bearing deposits of the six state-owned commercial banks**



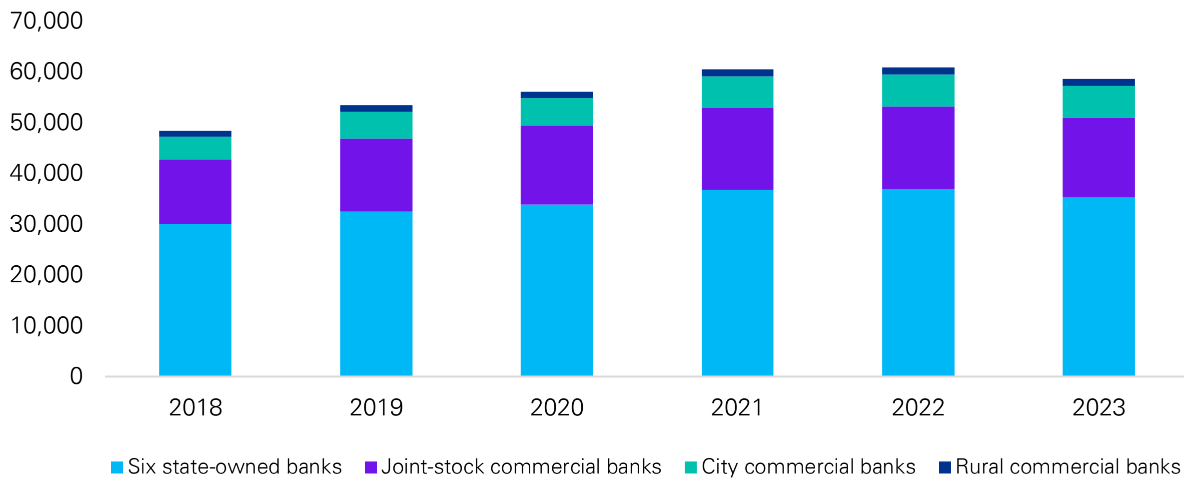
Source: The six state-owned commercial banks’ annual reports from 2014-2023, and KPMG analysis

Profit perspective

The banking industry is facing pressure due to declining growth in operating income

In 2023, the country's economic recovery was not yet on solid footing, and corporate profits and consumer confidence were under pressure. During the year, banks' interest income was affected by reduced credit demand from enterprises and individuals, and reductions in the market interest rate on loans further narrowed net interest margins, constraining interest income growth. Meanwhile, greater complexity and uncertainty in the domestic and international economic environment caused banks' risk management costs to rise, putting pressure on operating income. In 2023, the 58 listed banks generated operating income of RMB 5.86 trillion, representing a YOY decline of 3.7%. In terms of bank categories, only city commercial banks saw an increase in operating income, notching a small rise of 0.4%, while the operating income of other types of banks declined to varying degrees.

Figure 23 Operating incomes of listed banks (RMB 100 millions)

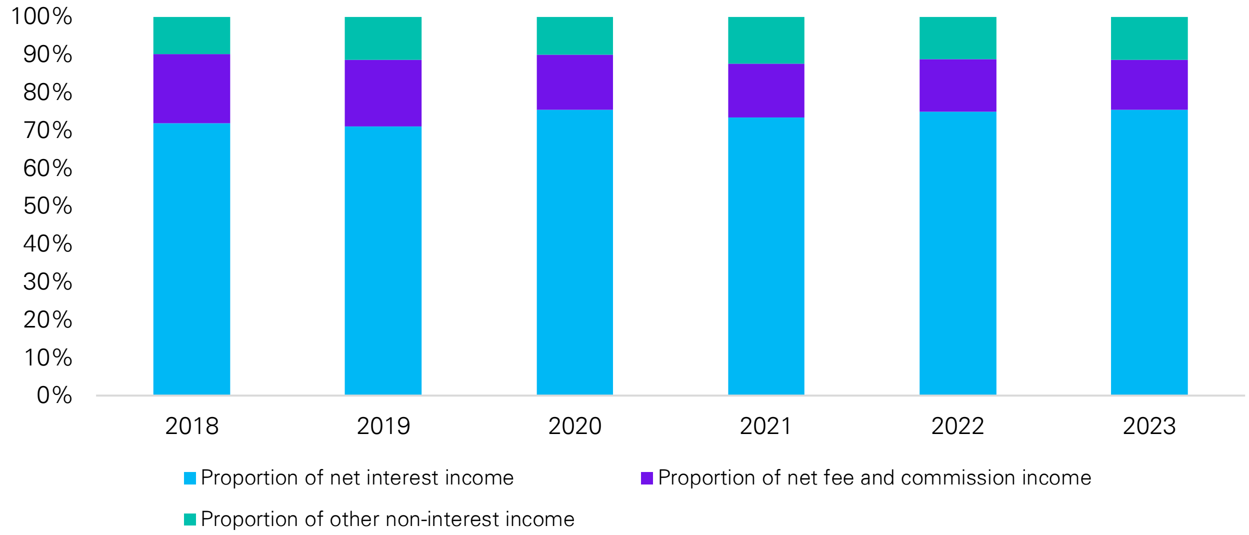


Source: Wind and KPMG analysis

Banks' operating income comprises three components: net interest income, net fee and commission income, and other non-interest income. In 2023, the 58 listed banks derived RMB 4.4 trillion, or 75.5% of their operating income, from net interest income; RMB 773.4 billion, or 13.2%, from net fee and commission income; and RMB 664.8 billion, or 11.3%, from other non-interest income (Figure 24). Banks generate most of their operating income from net interest income, and net interest income as a share of total operating income has climbed from 71.9% in 2018 to 75.5% in 2023.

Meanwhile, under the combined impact of various factors, including changes in risk appetite among investors, reforms of public fund rates and fluctuations in the capital market, the income share of intermediary business, such as fee and commission income, continued to decline. Intermediary business makes a significant contribution to the overall income of international commercial banks, and the development of intermediary business is an important aspect of Chinese banks' efforts to achieve diversified operations and improve their comprehensive competitiveness. For these reasons, domestic banks are seeing significant potential to develop their intermediary business going forward.

Figure 24 **Components of listed banks' operating income (%)**



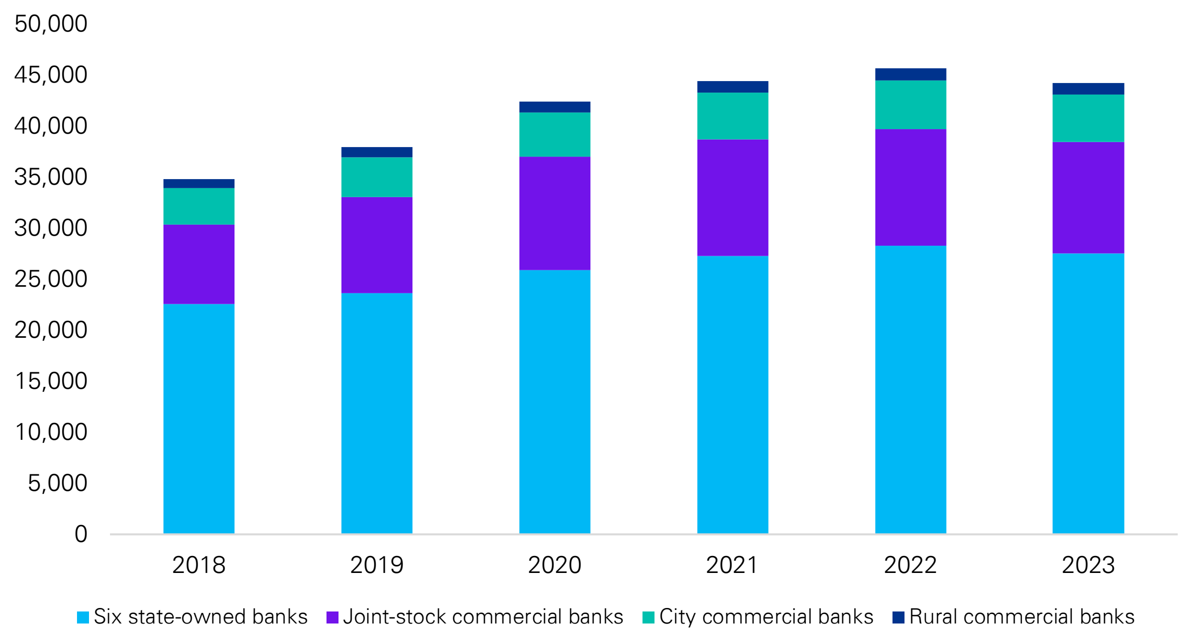
Source: Wind and KPMG analysis

Net interest income declines by 3.0% YOY, but rises as a share of total operating income

Net interest income is still the major source from which banks derive their operating income. In 2023, the net interest income of the 58 listed banks amounted to RMB 4.4 trillion, climbing to 75.5% of operating income, which represented YOY growth of 0.5 percentage points from a proportional standpoint. Since 2023, banks' loan yield ratio on the asset side has been declining. Meanwhile, the cost of interest-bearing deposits on the liability side has risen slightly, and net interest margins have reached a historical low, driving down net interest income.

In 2023, the 58 listed banks' net interest income declined by 3.0% YOY after peaking in 2022. Specifically, joint-stock commercial banks saw the largest decline in percentage terms, notching a YOY decrease of RMB 56.4 billion or nearly 5%; and rural commercial banks experienced a decrease of RMB 5.6 billion or 4.7%. Meanwhile, the net interest income generated by the six state-owned banks declined the most in nominal terms, by RMB 74.5 billion, down 2.6%; and city commercial banks' net interest income declined by RMB 2.2 billion, down 0.5% YOY, representing the smallest decrease among the different categories (Figure 25).

Figure 25 **Net interest income of listed banks (RMB 100 millions)**

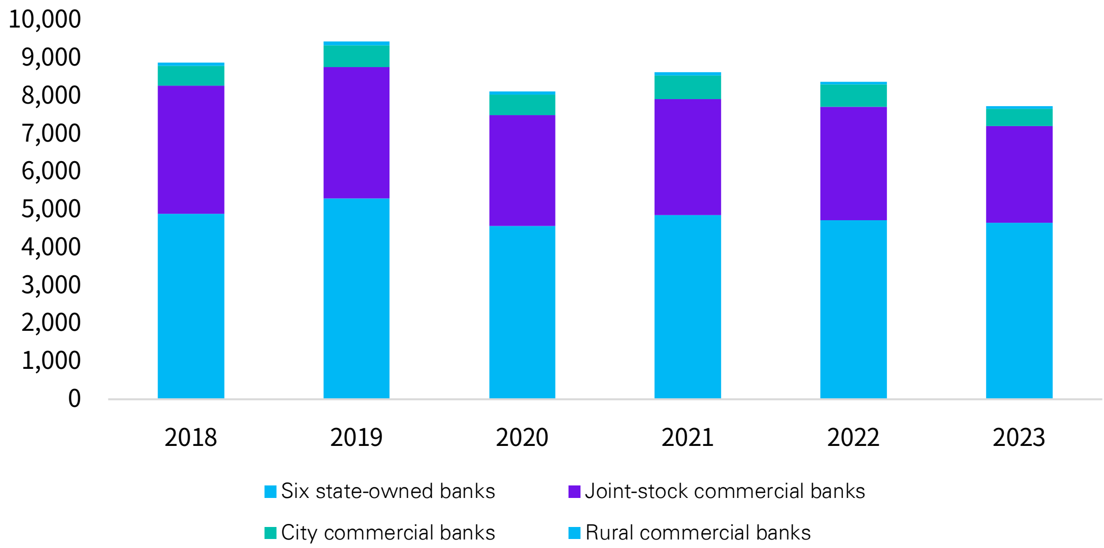


Source: Wind and KPMG analysis

Income derived from intermediary business falls 7.7% YOY

In 2020, due to the impact of the COVID-19 pandemic and other factors, listed banks' fee and commission income contracted significantly. Since then, due to the uneven economic recovery, tightening financial regulation, capital market volatility, and pressure to cut fees and charges, net fee and commission income has trended downward. In 2023, the 58 listed banks generated RMB 773.4 billion in net fee and commission income, lower than when the pandemic broke out in 2020, and representing a YOY decline of 7.7%. Specifically, the six state-owned banks recorded net fee and commission income of RMB 465.3 billion, down 1.4% YOY, marking the smallest decline; and the net fee and commission income of city commercial banks plunged by 24% YOY to RMB 44.9 billion, the steepest fall among the different categories of banks (Figure 26).

Figure 26 Net fee and commission income of listed banks (RMB 100 millions)



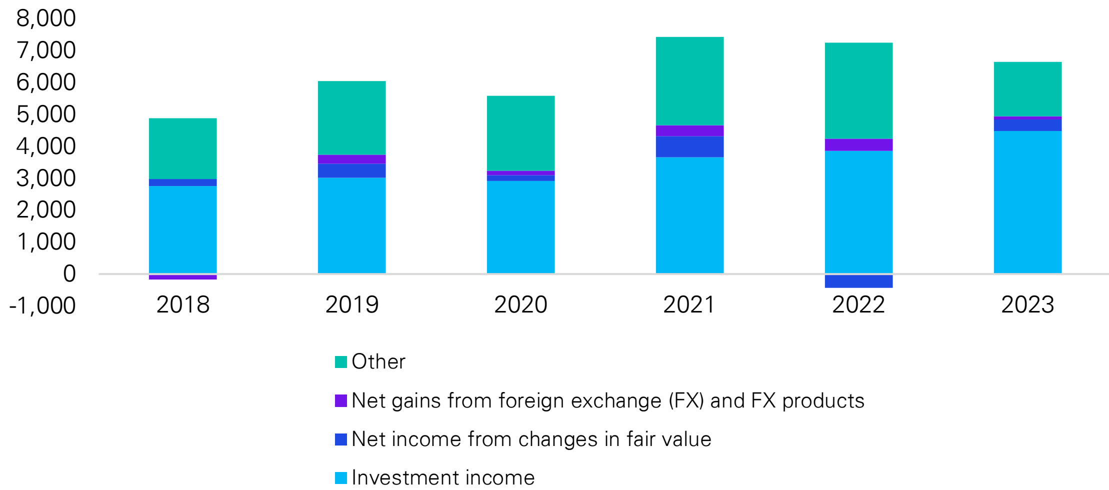
Source: Wind and KPMG analysis

Other non-interest income declines by 2.8% YOY

Other non-interest income streams mainly include investment income, net income from changes in fair value, net income from exchange and exchange rate products, and net income from other non-operating business. These incomes tend to be more sensitive to internal and external macro environment changes, capital market volatility and RMB exchange rate trends, among other factors.

In 2023, the 58 listed banks generated other non-interest income of RMB 664.8 billion, representing a YOY decline of 2.8% (Figure 27). Investment income accounted for 67.3% of this total at RMB 447.9 billion; net income from changes in fair value stood at RMB 36.2 billion, representing positive growth and accounting for 5.4%; net income from exchange and exchange rate products accounted for 2.2% at RMB 11.4 billion; and other non-operating income of RMB 12.9 billion amounted to 2.5% of other non-interest income.

Figure 27 Other non-interest income of listed banks (RMB 100 millions)



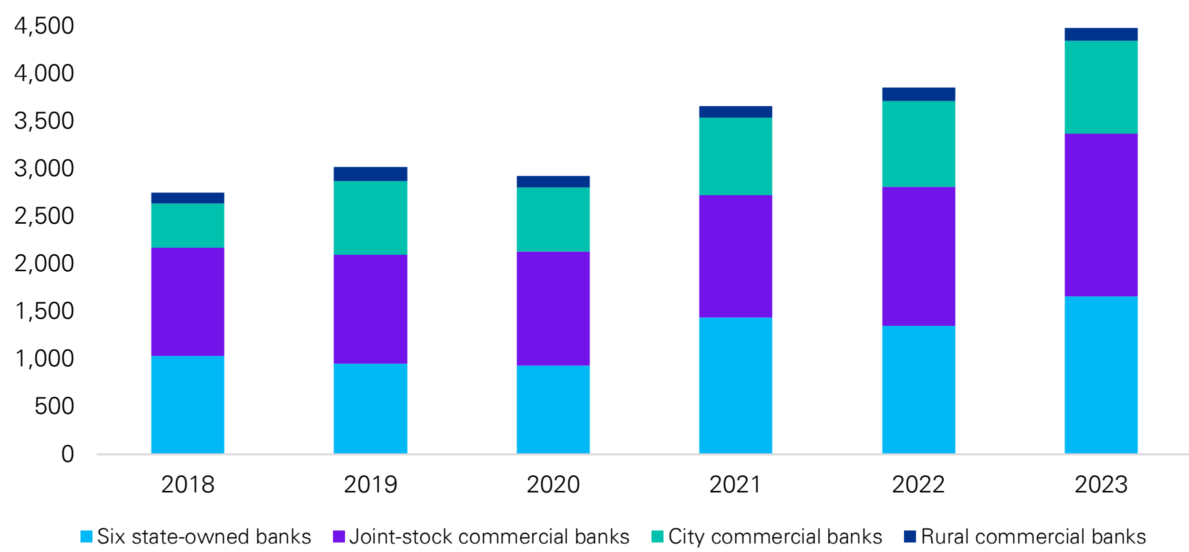
Source: Wind and KPMG analysis

Investment income climbs 16.2% YOY, with the six state-owned banks and joint-stock commercial banks seeing the strongest growth

Thanks to increased income from bond investment and securitised asset transfers, banks have seen significant growth in investment income. In 2023, the investment income of the 58 listed banks stood at RMB 447.9 billion, representing growth of RMB 62.6 billion or 16.2% YOY (Figure 28). However, listed banks recorded markedly different performances in investment income. Investment income among rural commercial banks slightly declined, while the six state-owned banks, joint-stock commercial banks and city commercial banks recorded varying degrees of growth in investment income.

Specifically, the six state-owned banks notched YOY growth of 23.1% to RMB 165.9 billion in investment income; and joint-stock commercial banks outperformed their peers as their investment income climbed to RMB 170.9 billion. In recent years, joint-stock commercial banks have been optimising their allocation of non-interest assets to boost their investment income streams. For example, they have made more investments in capital-light and tax-light securities investment funds to grow their dividends, accelerated the circulation of bill transactions to reap gains from bid-ask spreads, and optimised portfolio structures to raise valuations.

Figure 28 Investment income of listed banks (RMB 100 millions)



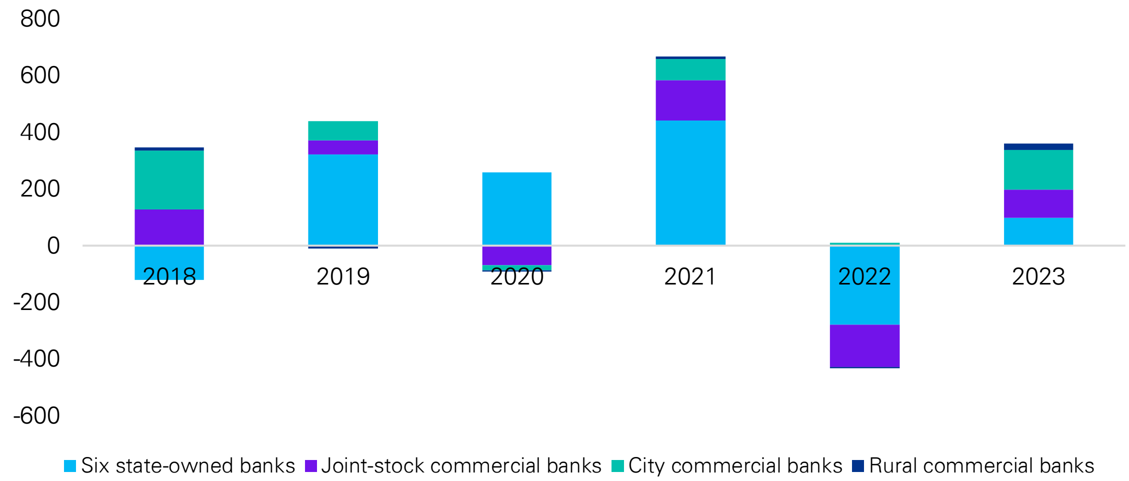
Source: Wind and KPMG analysis

Capital market volatility makes negative changes in fair value turn positive

The volatility of the stock and debt markets has triggered more unrealised gains from bond investments and derivative financial instruments, as well as less unrealised losses from equity instruments, leading to banks' net gains from changes in fair value. In 2023, gains from changes in fair value stood at RMB 36.2 billion for the 58 listed banks, resulting in floating profits (Figure 29).

Specifically, net gains from changes in fair value at the six state-owned banks jumped by 135% or RMB 37.7 billion YOY to RMB 9.9 billion; joint-stock commercial banks notched YOY growth of 168% in changes in fair value, resulting in net gains of RMB 10 billion. Meanwhile, city commercial banks recorded net gains from changes in fair value of RMB 13.9 billion, and rural commercial banks registered net gains from changes in fair value of RMB 2.4 billion.

Figure 29 Changes in fair value of listed banks (RMB 100 millions)



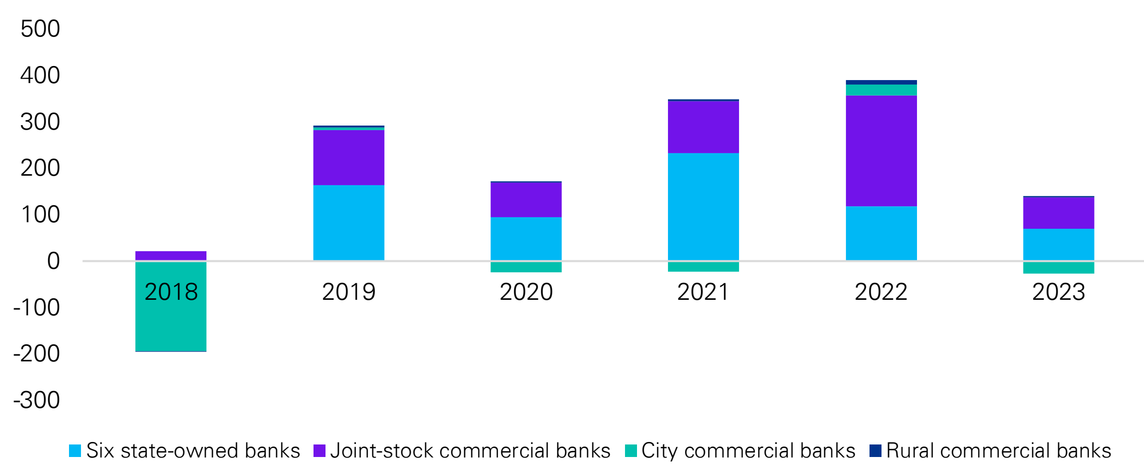
Source: Wind and KPMG analysis

Net gains from FX and FX products decrease by 70% YOY, with city commercial banks recording losses

With the depreciation of the Chinese yuan against the US dollar since the second half of 2023, banks' gains from FX business have declined YOY.

In 2023, net gains from FX and FX products of the 58 listed banks decreased by 70.7% YOY to RMB 11.4 billion (Figure 30). Net gains from FX and FX products fell for all bank types compared to 2022. Among the different types, the six state-owned banks saw the smallest decline, while city commercial banks recorded losses of RMB 2.6 billion from FX and FX products.

Figure 30 Net gains from FX and FX products of listed banks (RMB 100 millions)



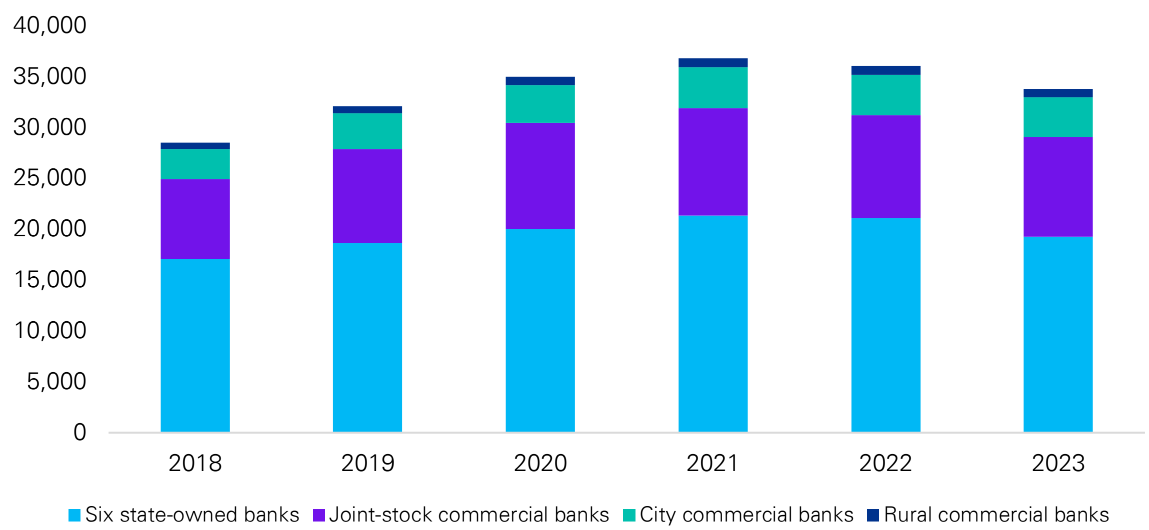
Source: Wind and KPMG analysis

Operating expenses continue to fall, with the six state-owned banks seeing a decline of 8.6%

The 58 listed banks' operating expenses began to decline after peaking in 2021, and they decreased to RMB 3.38 trillion in 2023, down 6.2% YOY, continuing a downward trend.

The six state-owned banks notched the deepest fall in operating expenses at 8.6% YOY; meanwhile, the operating expenses of joint-stock banks decreased by 3.2%, while those of city commercial banks saw the mildest decline, sliding 2.1% YOY (Figure 31).

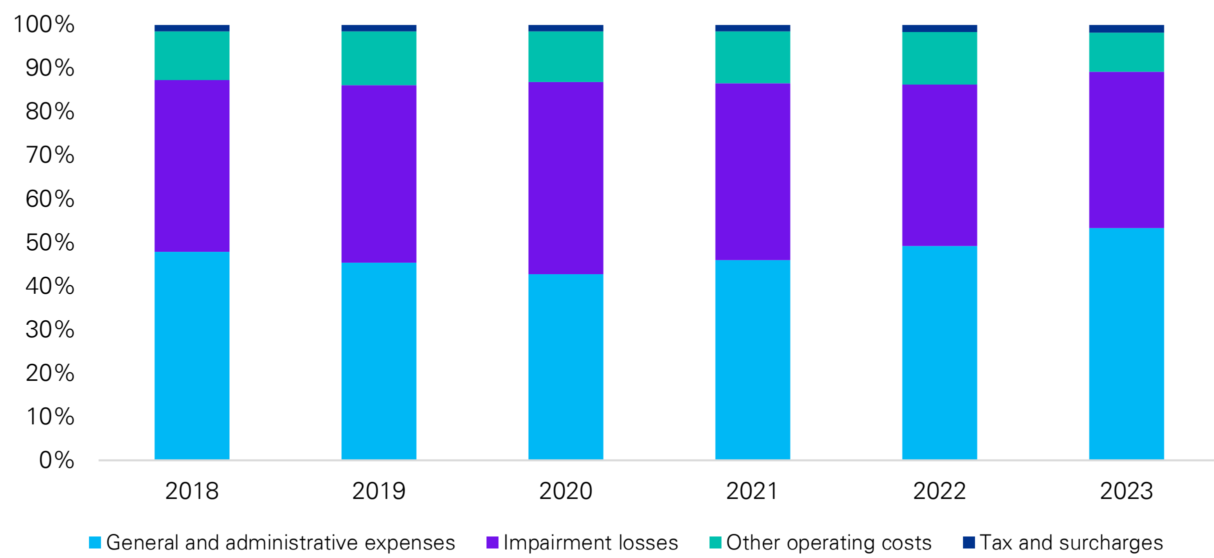
Figure 31 Operating expenses of listed banks (RMB 100 millions)



Source: Wind and KPMG analysis

Banks' operating expenses mainly comprise general and administrative expenses, impairment losses, tax and surcharges, and other operating costs. The first two are the major components of operating expenses, together accounting for nearly 90%. In 2023, the 58 listed banks' general and administrative expenses amounted to RMB 1.8 trillion, or 53.3% of operating expenses, up 4.1 percentage points YOY; and impairment losses stood at RMB 1.2 trillion, accounting for 36%, down 1.1 percentage points YOY. Meanwhile, other operating costs amounted to RMB 299.9 billion, occupying 8.9%, down 3.2 percentage points YOY; and tax and surcharges amounted to RMB 61.7 billion, representing a slight increase of 0.2 percentage points from a proportion standpoint (Figure 32).

Figure 32 Components of listed banks' operating expenses (%)



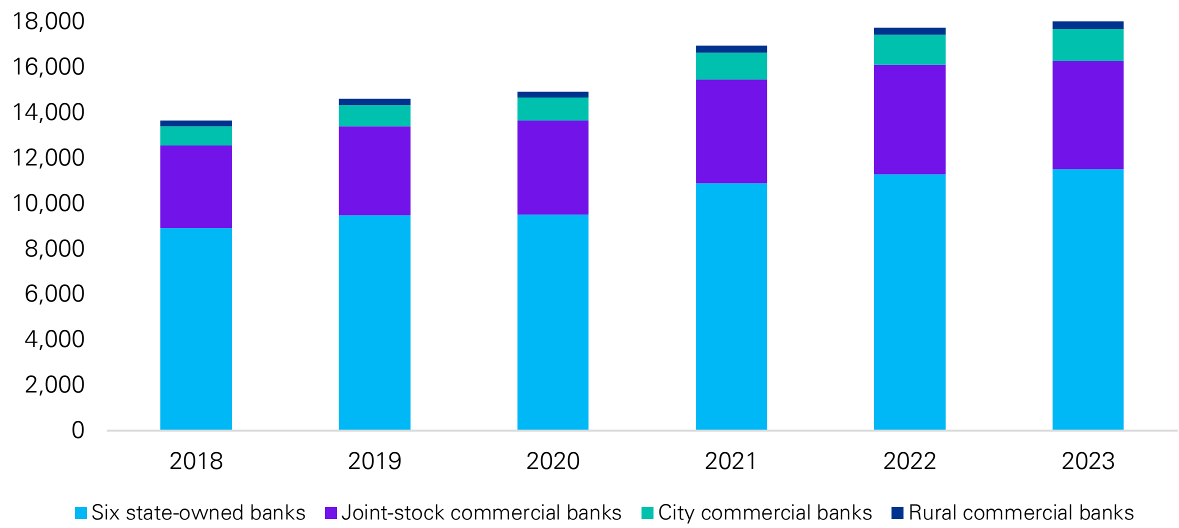
Source: Wind and KPMG analysis

General and administrative expenses increase at a slower pace, and those of joint-stock commercial banks decline by 0.9%

China's economic prospects remain positive in the long term, but internal and external challenges in the short term have put significant pressure on banks' operations. In this context, the banking industry has taken measures to optimise internal management processes, improve operational efficiency and control expenses, causing general and administrative expenses to rise at a slower pace.

In 2023, the total administrative expenses of the 58 listed banks amounted to RMB 1.8 trillion, up 1.6% YOY, reflecting a decline in growth of 3.1 percentage points. Specifically, general and administrative expenses at the six state-owned banks were RMB 1.1 trillion, up 2% YOY; those of joint-stock commercial banks amounted to RMB 478.6 billion, down 0.9% YOY; and city commercial banks saw the largest increase in general and administrative expenses, as theirs climbed to RMB 139.8 billion, marking a 6.5% YOY increase (Figure 33).

Figure 33 General and administrative expenses of listed banks (RMB 100 millions)

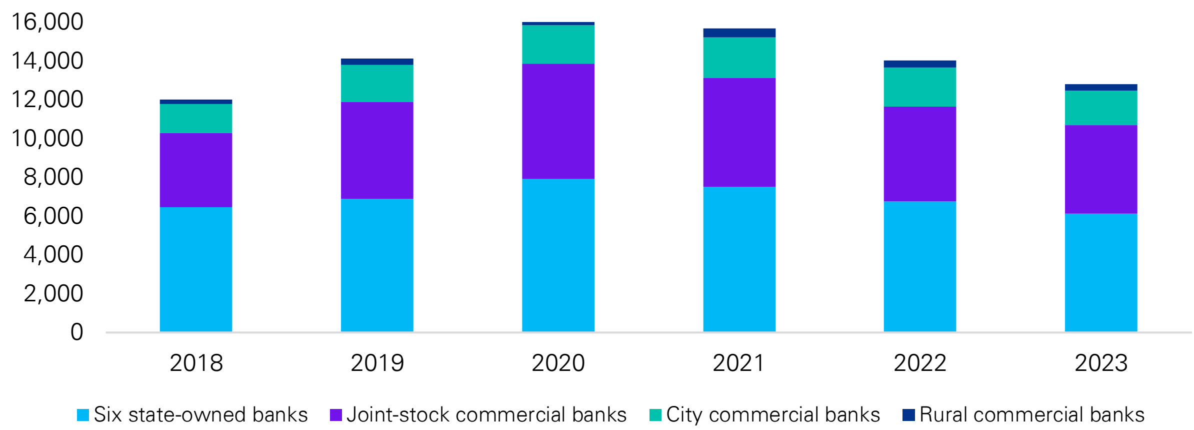


Source: Wind and KPMG analysis

Impairment losses fall by 8.7%, with those of rural commercial banks tumbling the most

As the economy gradually picks up, the quality of banks' credit assets has stabilised; provision coverage ratios are high; and banks' risk mitigation capabilities have improved. Against this backdrop, banks have reduced provisions for credit impairment losses. In 2023, listed banks' impairment losses declined by 8.7% YOY to RMB 1.3 trillion. Specifically, impairment losses among the six state-owned banks fell by 9.3% YOY to RMB 612.9 billion; those of joint-stock commercial banks declined by 6.6% YOY to RMB 458.3 billion; those of city commercial banks decreased by 10.5% YOY to RMB 178.3 billion; and rural commercial banks saw the steepest decline, with impairment losses falling 15.8% to RMB 32.2 billion (Figure 34).

Figure 34 Impairment losses of listed banks (RMB 100 millions)

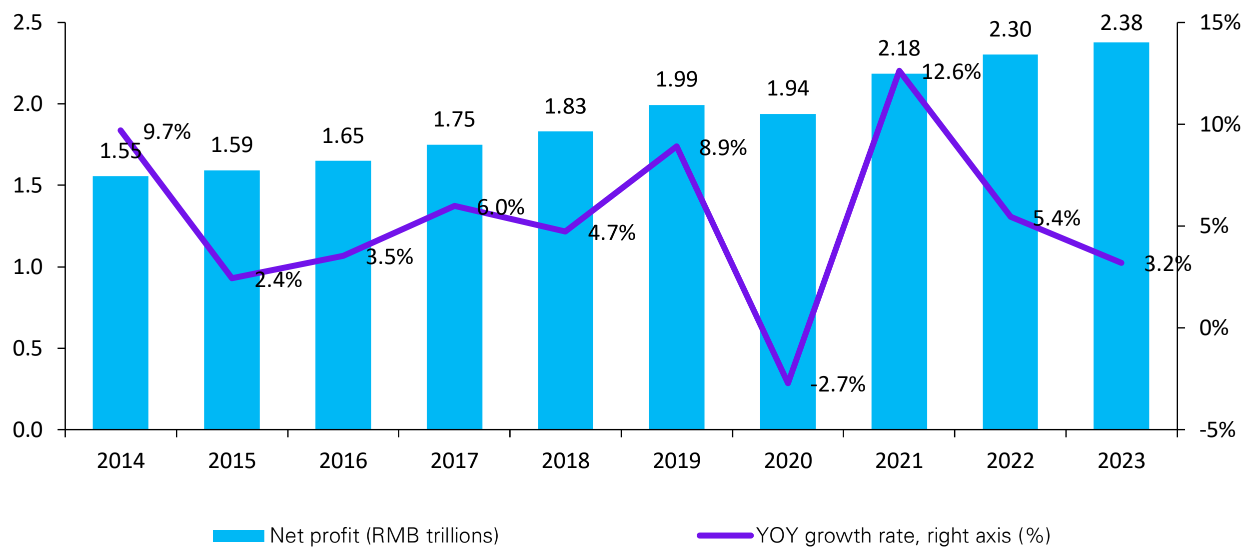


Source: Wind and KPMG analysis

Net profit growth continues to slow for commercial banks, with joint-stock commercial banks and foreign-funded banks seeing negative growth in net profits

Due to challenges in the economic and financial environment, commercial banks are facing profitability pressure, which is mainly being reflected in narrower net interest margins and lower non-interest income. As competition in the deposit market intensifies, some commercial banks have raised deposit interest rates to attract depositors. This trend, combined with a rise in long-term deposits, has caused the cost of banks' interest-bearing deposits to rise. Meanwhile, in 2023, the loan prime rate (LPR) was lowered twice, and interest rates for existing mortgages for first-home purchases were adjusted based on guidance from the PBOC. Interest rates on loans for commercial and residential housing were low, leading to a continuous narrowing of net interest margins for commercial banks and a drop in interest income. Moreover, fluctuations in the capital market and changes in risk appetite among investors have impacted non-interest income streams such as fee and commission income, further weakening commercial banks' profitability. In 2023, commercial banks generated net profits of RMB 2.38 trillion, representing YOY growth of 3.2%, which was 2.2 percentage points lower than in 2022 (Figure 35). 2023 marked the second consecutive year of declining net profit growth for commercial banks.

Figure 35 Net profits and growth rates of listed banks



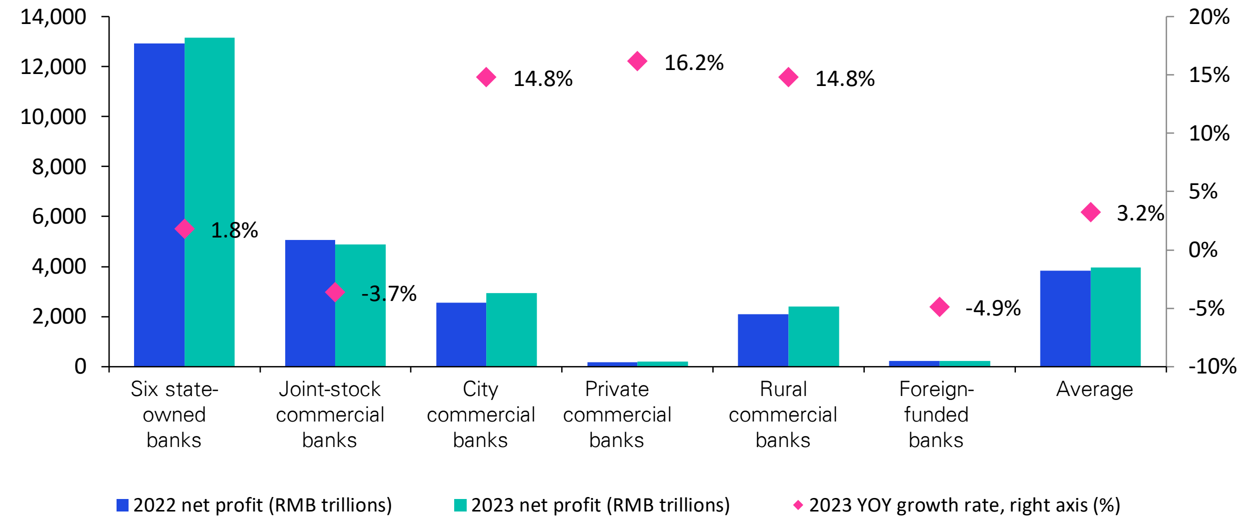
Source: Wind and KPMG analysis

The different types of commercial banks registered varying degrees of net profit growth. The six state-owned banks saw their net profit growth fall from 5.5% in 2022 to 1.5% in 2023, remaining positive. However, joint-stock commercial banks and foreign-funded banks experienced negative growth in net profits, with growth rates of -3.7% and -4.9% respectively.

On the other hand, city commercial banks and rural commercial banks bucked the trend. City commercial banks' net profit rose from 6.6% in 2022 to 14.8% in 2023, and that of rural commercial banks climbed from -2.3% in 2022 to 14.8% in 2023.

Due to the limited scale of their net profits, private commercial banks maintained double-digit net profit growth, although their growth has slowed in the past two years, tumbling from 47.1% in 2021 to 16.2% in 2023 (Figure 36).

Figure 36 Net profits and YOY growth rates of different commercial banks

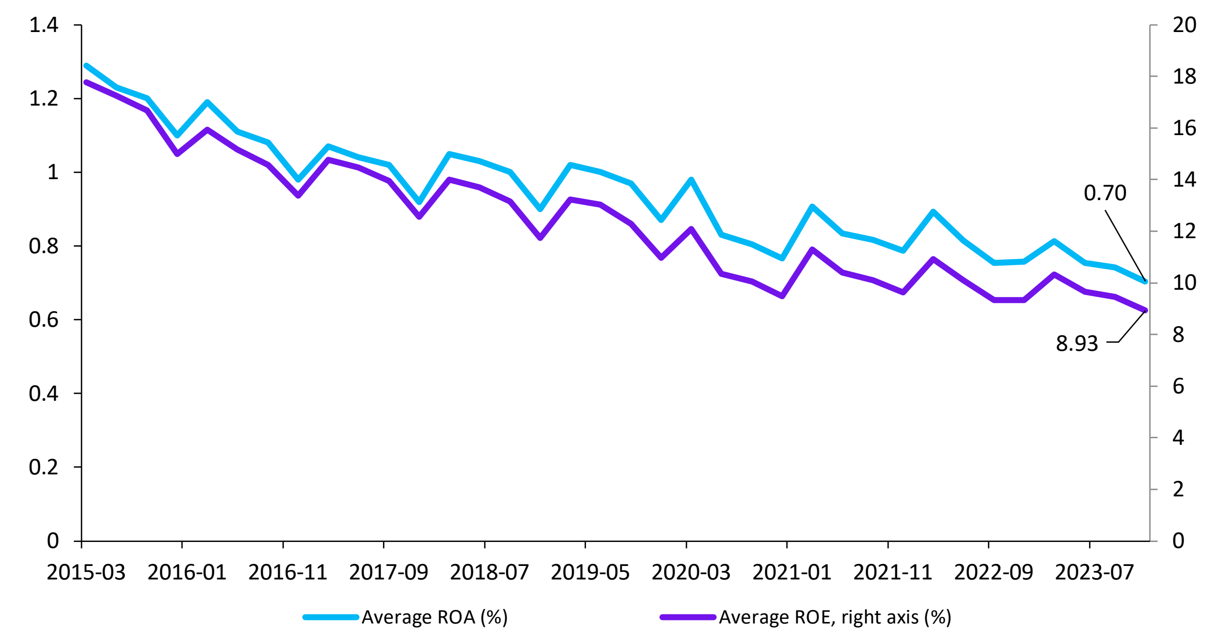


Source: Wind and KPMG analysis

Both the average return on assets (ROA) and average return on equity (ROE) of commercial banks continued to fall in 2023, reaching the lowest levels in more than a decade. In 2023, commercial banks' ROA fell by 0.06 percentage points YOY to 0.70%, while their ROE dropped by 0.40 percentage points YOY to 8.93% (Figure 39).

As the denominator in the formulas, total assets saw YOY growth of 10.95%, while growth in net profits, as the numerator, slowed further, weakening the performance of commercial banks (Figure 37).

Figure 37 Average quarterly ROA and average quarterly ROE of listed banks



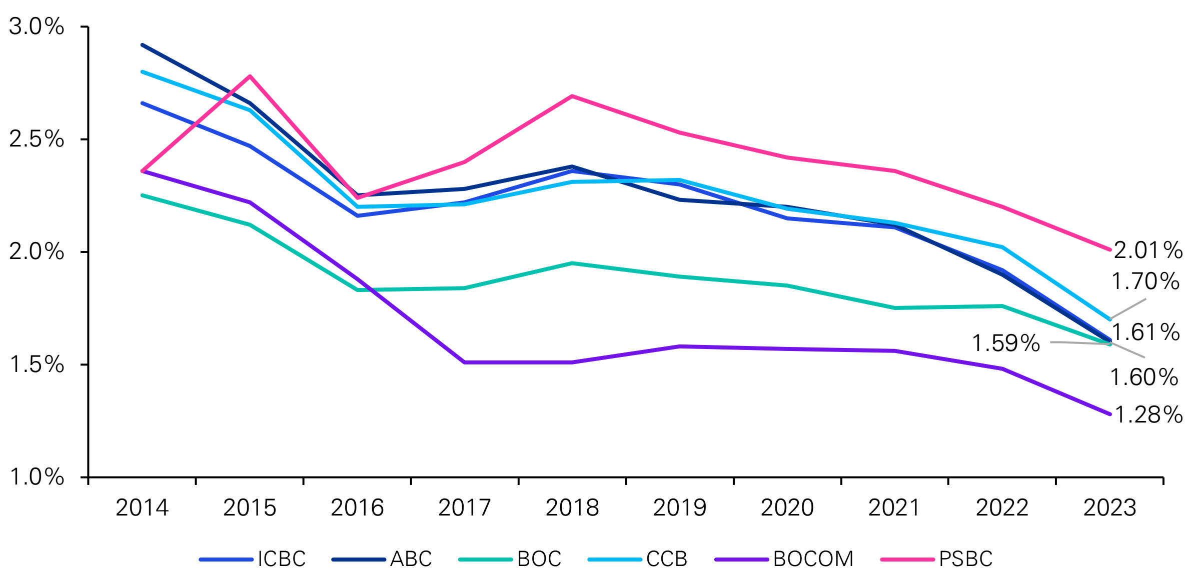
Source: Wind and KPMG analysis

The net interest margins of China's six state-owned banks continue to narrow, falling below the regulatory "red line"

In 2023, the net interest margins of commercial banks faced pressure stemming from lacklustre domestic demand, a continual drop in the LPR, repricing of existing mortgages on individual housing, and trends around periodic and long-term deposits. The NFRA's statistics show that banks' net interest margins in the four quarters of 2023 were 1.74%, 1.74%, 1.73% and 1.69% respectively, lower than the "red line" of 1.8% set in the *Rules for Qualified Prudential Assessment (2023 Revision)*[6]. The average net interest margin of the six state-owned banks reached a historical low of 1.63%, down 0.25 percentage points YOY, and even lower than the average net interest margin of the banking industry. While the six state-owned banks possess advantages in respect of interest-bearing deposits, their large base of high-quality business customers have strong bargaining power and are able to obtain relatively low interest rates on loans. Also, as these banks vigorously develop inclusive finance, they are providing low interest rate loans to small and micro enterprises. As a result, their average interest rate for loans was lower than that of their peers, contributing to their low net interest margins.

The net interest margins of the six state-owned banks declined to varying degrees, with that of CCB, ICBC and ABC falling by more than 0.30 percentage points. CCB saw the largest decline among the six, as its net interest margin fell to 1.70%, down 0.32 percentage points, but its absolute value remained high. BOC's net interest income decreased by 0.17 percentage points, the smallest decline among the six, as the improvement in its foreign currency interest margin lessened the overall decline in its net interest income. This development showed that BOC's foreign currency business used the US Federal Reserve's interest rate hikes to its advantage. Meanwhile, PSBC's margin was 2.01%, the highest among the six, as its growth in scale buoyed its net interest income. PSBC achieved the highest margin by adhering to a strategy of differentiated development, improving the efficiency of its asset-liability allocation, striking a balance between volume and pricing, and engaging in structural optimisation (Figure 38).

Figure 38 Net interest margins of China's six state-owned commercial banks (%)



Source: The six state-owned commercial banks' 2023 annual reports and KPMG analysis

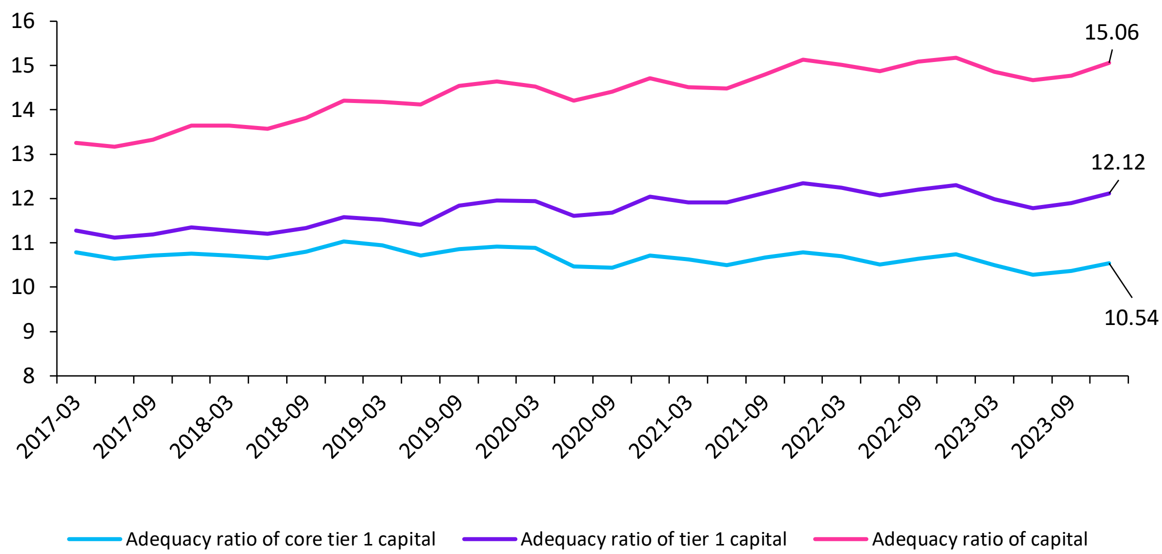
[6] Table on the main supervisory indicators of commercial banks in 2023 (quarterly), NFRA, 21 February 2024, https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1109305&itemId=954&generaltype=0

Capital Perspective

Capital adequacy continues to be stable, with a decrease in core tier 1 capital adequacy

The capital adequacy ratio of commercial banks experienced a slight decline at the end of 2023, from 15.17% at the end of 2022 to 15.06%, but remained at a relatively robust level overall. Commercial banks' profit growth was outpaced by their growth in scale, affecting capital replenishment from retained earnings, which resulted in poor replenishment of core tier 1 capital. Specifically, at the end of 2023, commercial banks' core tier 1 capital adequacy ratio declined by 0.2 percentage points from the end of 2022 (Figure 39). The *Rules on Capital Management of Commercial Banks* ("New Capital Rules"), which came into effect on 1 January 2024, are encouraging banks to assess and manage risks more accurately, further strengthen capital management, and improve risk resistance by refining risk weights and adjusting risk-weighted asset measurement.

Figure 39 Quarterly capital adequacy ratios of commercial banks (%)



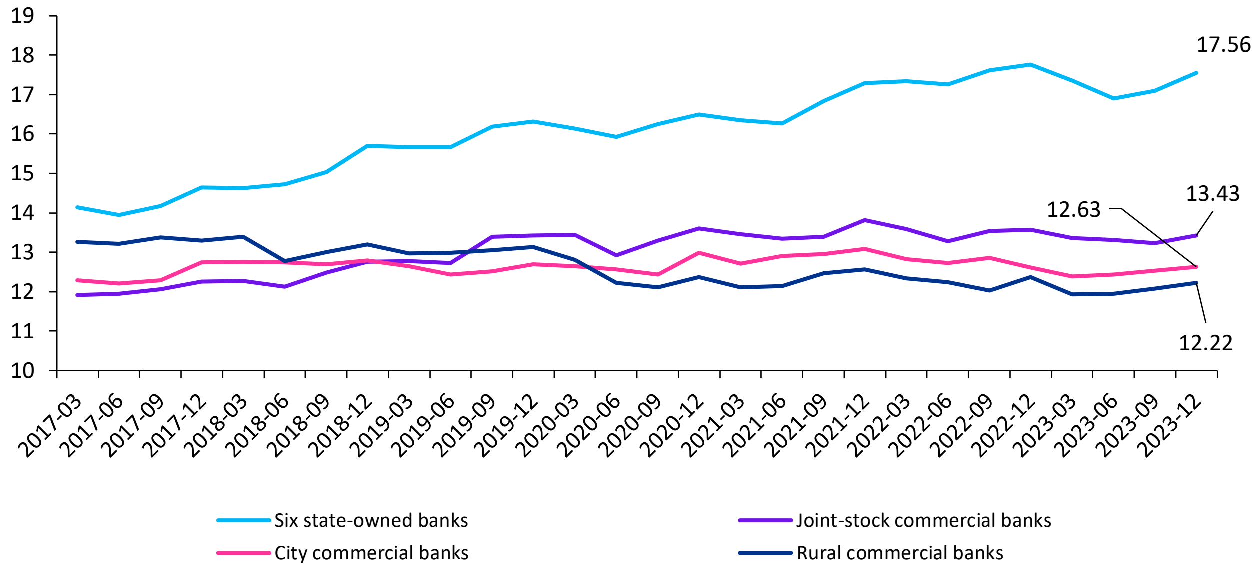
Source: Wind and KPMG analysis

Differentiated capital regulations enhance the operational flexibility of banks

From the perspective of bank types, except for city commercial banks, whose capital adequacy ratio increased slightly from 2022, all other types of commercial banks experienced varying degrees of decreases in capital adequacy. The capital adequacy ratio of the six state-owned banks declined by 0.20 percentage points YOY to 17.56%; that of joint-stock commercial banks decreased by 0.14 percentage points YOY to 13.43%; city commercial banks' capital adequacy ratio climbed 0.01 percentage points YOY to 12.63%; and rural commercial banks dropped 0.16 percentage points YOY to 12.22% (Figure 40).

The New Capital Rules divide banks into three grades according to their asset scale. The different grades of banks must meet different capital regulation requirements to build a differentiated capital regulation system. Differentiated capital regulation helps regulators more accurately regulate banks, makes regulation more targeted and effective, and enhances operational flexibility. Moreover, the New Capital Rules lower the bottom line for risk-weighted assets of banks that use the internal ratings-based approach, which is conducive to alleviating capital stress for large commercial banks that use the internal ratings-based approach.

Figure 40 Capital adequacy ratios of different commercial banks (%)



Source: Wind and KPMG analysis

2024 outlook for the banking industry

Trend 1: With a focus on the five priorities, banks are promoting high-quality economic and social development

At the Central Financial Work Conference in October 2023, policymakers noted, "The financial sector should do a good job in addressing five priorities: technology finance, green finance, inclusive finance, pension finance and digital finance." This roadmap points out the direction in which the financial industry should move as it serves the real economy. Several banks have affirmed their commitment to focusing on these areas and providing high-quality financial services to drive economic and social development.

In terms of technology finance, banks have provided strong financial support for technology innovation by setting up technology-focused sub branches and centres for technology finance, and launching exclusive financial products for technology enterprises. However, banks still face challenges in this area, including how to deepen their services, how to accurately evaluate the prospects of technology enterprises and how to design financial products that are adapted to their life cycle. In January 2024, the NFRA issued the *Notice on Strengthening Financial Services for Technology Enterprises over their Life Cycle* (the "Notice"), which stated that more financial resources should be mobilised to promote technological innovation and continuously improve the quality and efficiency of financial support for technology enterprises[7]. The Notice defines not only the strategy and direction for the development of technology finance, but also the implementation standards at the operational level. Banks are encouraged to build a financial service system adapted to the life cycle of technology enterprises, and optimise their credit evaluation model and approval process for technology enterprises, while strengthening risk management. Through these specific measures, banks can provide more effective services to support technological innovation, promote the commercialisation of technological achievements and contribute to a healthy technology finance ecosystem.

In terms of green finance, the industry is actively responding to national strategies for green development, and supporting green sub sectors such as environmental protection, energy conservation and clean energy by providing green credit, issuing green bonds and setting up green funds. At the end of 2023, China's green loan balance reached RMB 30.1 trillion, up 36.5% YOY. While green finance has developed rapidly, issues have arisen in practice, such as inconsistent standards for the identification and certification of green projects, subpar environmental disclosures, and issues in striking a balance between social benefits and commercial sustainability. In April 2024, the PBOC jointly issued the *Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development* ("Guiding Opinions") with other government ministries, which highlighted the need to further strengthen financial support for green and low-carbon development[8]. Specifically, the Guiding Opinions encourage banks to improve their evaluation and certification standards for financial products such as green bonds and credit, and emphasise the need to enable and motivate banks to support green and low-carbon projects through a variety of means including monetary policy tools and green finance assessment mechanisms. These measures will help the banking industry deepen its approach to green finance, enhance financial support for green industries and projects, and promote a shift in the economy towards green growth.

Inclusive finance was formally put forward as a concept in the *Decision of the CPC Central Committee on Several Major Issues Concerning Comprehensively Deepening Reform* that was adopted at the Third Plenary Session of the 18th CPC Central Committee in 2013. The *Implementation Opinions on Promoting the High-Quality Development of Inclusive Finance* issued by the State Council in 2023 further defined the direction and goals for inclusive finance over the next five years. Meanwhile, inclusive finance was designated as one of the five priorities at the Central Financial Working Conference, highlighting its important role in the blueprint for the development of the financial sector. Over the past 10 years, inclusive finance has continued to develop and improve in terms of coverage, availability and customer satisfaction. According to PBOC data, at the end of 2023, a banking outlet was operating in 97.9% of towns across the country, and the balance of inclusive loans for small and micro enterprises reached RMB 29.4 trillion, 3.7 times that at the end of 2018 and representing annual growth of about 25% over the past five years. However, efforts around inclusive finance still face challenges, such as how to further improve coverage and efficiency, and how to effectively control risks associated with loans to small and micro enterprises. As they deepen the development of inclusive finance, banks should adhere to the principle of commercial sustainability, leverage the latest advances in fintech, innovate their approach to service delivery and improve the quality of services, while also enhancing their risk monitoring, warning and resolution mechanisms. Through targeted risk management and customised financial solutions, banks can empower their clients to live up to their potential and raise funds on their own, generating both business and social value.

[7] *Notice on Strengthening Financial Services for Technology Enterprises over their Life Cycle* by the NFRA, 5 January 2024, https://www.gov.cn/zhengce/zhengceku/202401/content_6925724.htm

[8] Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development by the PBOC, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Ecology and Environment, the NFRA and the China Securities Regulatory Commission, 10 April 2024, http://camlmac.pbc.gov.cn/goutongjiaoliu/113456/113469/5325946/index.html

With an ageing population, it is imperative for China to develop pension finance. In this regard, the country has been a late starter and has not made sufficient headway. Pension finance includes pension-related finance, elderly care finance and retirement industry finance. Under the personal pension scheme launched at the end of 2022, a large number of accounts have been opened, but few have any deposits. In terms of elderly care finance, providers and customers face multiple constraints. Pension finance products and services are not diverse enough to meet customer needs. Meanwhile, projects in the retirement industry (e.g. nursing homes) are capital intensive and time-consuming, and players in this area face funding problems due to uncertainties around profit models and payback periods. In October 2023, the Central Financial Working Conference included pension finance as one of its five priorities and laid out the direction for its development. Although the government has not yet introduced specific policies for pension finance, supporting measures are expected to be rolled out in the future. As rules are defined, they will provide solid support and guidance for banks to build their presence in this important segment.

In terms of digital finance, banks have leveraged technologies including the Internet, big data and artificial intelligence to digitalise and improve the accessibility of financial services; and they are leaders in digital transformation across the financial sector. However, as the consumer Internet becomes less of a driving force, banks are approaching the deep end of digitalisation. According to the 2023 Chinese Fintech CEO Survey Report jointly released by KPMG China and the Financial Technology Development and Research Committee of the National Internet Finance Association of China, the banking industry was rated 3.6 (out of 5 points) by respondents for its progress in digital transformation in 2023, down slightly from 3.8 points in 2022[9]. In the future, banks will need to step up efforts to fill in digitalisation gaps in areas including corporate business, asset management, transactions and operations, and focus more on how to apply financial technology to optimise processes and strengthen operations.

Trend 2: The banking industry has mitigated real estate-related risks, driving the development of a new model for real estate development

Since 2021, banks have seen their real estate NPLs rise. At present, their real estate NPL ratios are still at high levels, much higher than their overall NPL ratios and other sector-specific ratios. Take the Big Six banks as an example. In 2023, the real estate NPL ratios of ICBC, ABC, BOC, CCB, BOCOM and PSBC were 5.37%, 5.42%, 5.51%, 5.64%, 4.99% and 2.45% respectively, with those of ICBC, ABC and BOC down, and those of CCB, BOCOM and PSBC up, to varying degrees, compared with the previous year. In 2023, three of the banks recorded a decline in their real estate NPL ratios, while in 2022, all of them saw an increase. In particular, BOC’s ratio stood at 7.23% in 2022 and fell by 1.72 percentage points in 2023. As far as the Big Six banks are concerned, their exposure to the real estate sector may have peaked, although there are still some risks that will gradually rise to the fore and need to be resolved in the future. Since 2023, the government has introduced a number of policies that are designed to address issues on both the supply and demand sides, such as taking the number of houses instead of loans as the standard to assess borrower eligibility, lowering mortgage rates, the Three Not Lower Than principle in the granting of real estate loans and the real estate projects white list. As these supporting policies continue to have an effect, potential risks from the real estate sector will be further mitigated.

We should see that, after a period of more than 20 years of rapid development, the traditional real estate model is unsustainable and should give way to a new one that is adapted to new realities and changes in the relationship between supply and demand. The liquidation of real estate enterprises, remaining room for urbanisation and the promotion of the “three major projects,” as well as coordinated measures to consume existing housing units on sale and optimise incremental units, will help the real estate industry build a new development model and promote a steady and healthy real estate market. In the wake of the Central Financial Work Conference in 2023, the central and local governments have stepped up efforts in respect of the “three major projects.” According to the National Bureau of Statistics, these efforts drove a 0.6% increase in real estate investment in the first quarter[10]. In 2024, a number of local governments have rolled out a Trade-in-Old-Housing-Units-for-New-Ones policy, and some governments have purchased commercial units for public housing purposes as part of their plan for existing units that are for sale. The new model that is being formed will present new business opportunities for banks. As structural opportunities arise, banks should be ready to further optimise financial products and services, and invest more resources in real estate development loans, personal mortgage loans, M&A loans, bond investments, underwriting and investment banking services to support home buyers with rigid demand and those with a demand for improved housing, rental housing and affordable housing. In this way, banks can contribute to the development of this new and more sustainable model.

[9] 2023 Chinese Fintech CEO Survey Report jointly released by KPMG China and the Financial Technology Development and Research Committee of the National Internet Finance Association of China, June 2023, https://kpmg.com/cn/zh/home/insights/2023/06/2023-chinese-fintech-ceo-survey-report.html
[10] Press conference by the Information Office of the State Council on the performance of China's economy in the first quarter of 2024, www.china.com.cn, 16 April 2024, http://www.china.com.cn/app/template/amucsite/web/webLive.html#3491

Trend 3 : The banking industry has a long way to go in driving high-quality development

China's economy is entering a new normal, and efforts are being made to deepen the country's financial markets. Against this backdrop, banks are experiencing profit pressure in their traditional deposit and loan business. A narrowing interest margin means that their traditional business model, which relies on asset scale, is unsustainable. The emergence of new business models in the financial sector such as Internet finance and mobile payment has also presented challenges for banking financial institutions, causing them to review their own business strategies and models. Banks are aware that focusing on size is no longer suitable in the current environment, and they need to shift to more cost-effective business strategies. To make this transition a success, they need to cut costs, optimise their debt structure and drive value creation.

In an era characterised by competition for the existing market, banks have put revitalising existing assets and improving the efficiency of capital utilisation on their agendas, which should bring new opportunities for banking transformation. After years of investment and construction, China has built up a large stock of assets in infrastructure and other areas. Banks can help make these assets more liquid by participating in REITs, and they can also provide financial support for infrastructure and the transformation of unprofitable assets. By doing so, they can bring about gains in asset value and expand their own business. At the end of 2023, the balance of RMB loans in China was RMB 238 trillion, and about RMB 20 trillion is added to this balance each year. The existing capital pool is far greater than the annual increase. Meanwhile, in 2023, the sector's NPL balance reached RMB 3.2 trillion. Banks can reduce risks and improve asset quality by revitalising inefficient existing assets and stepping up efforts on NPL disposal, and they can accelerate NPL write-off and conversion by taking market-based and legal actions. In addition, as part of their transition towards high-quality development, it is particularly important for banks to increase their non-interest income in order to diversify their income and profit structure. This transition is not only necessitated by changes in the domestic market, but also aligns with the model adopted by banks overseas. US and European banks generally have a high proportion of non-interest income. In 2021, US banks owed 36.3% of their income to non-interest sources, while charges and commission accounted for about 33% of the income of systemically important banks supervised by the European Central Bank[11].

In contrast, non-interest sources accounted for a relatively low proportion of Chinese banks' income, amounting to 22.41%, 21.80%, 20.62% and 19.93% of total income respectively from Q1 to Q4 2023 according to NFRA data. In short, there is still significant room for improvement. Drawing on the experience of their global peers, Chinese banks can invest more in asset management, investment banking and wealth management to drive non-interest income, diversify their income and profit structure, and enhance their competitiveness and resilience.

However, this transformation cannot be achieved overnight, as Chinese banks face challenges such as lack of motivation, sluggish capital markets and shortages of talent. First, banks are not sufficiently motivated to diversify their income sources. Many of them are aware of the limitations of the traditional scale-driven model, but they still find it difficult to shift away from it due to competitive pressure and long-standing performance evaluation systems. When pursuing short-term growth, banks may tend to lose sight of long-term strategies, preventing them from taking steady actions to engage in strategic transformation. Second, the volatility of capital markets has resulted in uncertainties that present obstacles to banks' diversification efforts. For banks, diversification is often accompanied by complexities around investments and risk management; and they face greater difficulties in asset and liability management and investment decision-making in volatile capital markets. Especially in the current economic environment, external impacts and market fluctuations may lead to unstable returns for banks, which will affect their profitability and risk management. Finally, banks also need to address talent gaps if they want to diversify. As they expand, banks need skilled professionals. For example, professionals that engage in wealth management, investment banking and green finance are expected to have solid knowledge of not only finance, but also law, tax and ESG, among other areas. Meanwhile, professionals working in technology finance should be versatile, as they need to have a good understanding of both finance and technology. However, such multi-faceted professionals are somewhat scarce in banks, which means these institutions are not yet ready to pursue innovation and development in new areas.

[11] Report on the Development of Intermediary Business in China's Banking Sector and Selected Cases of Innovation (2022), China Banking Association, 12 January 2023, https://www.china-cba.net/Index/show/catid/14/id/41637.html

Trend 4: Commercial banks going global are focusing on countries along the Belt and Road and steadily building a global network for business collaboration

Against the backdrop of government efforts to promote the Belt and Road Initiative, open up the financial sector at a higher level, and promote RMB internationalisation, commercial banks are shifting their focus to countries along the Belt and Road. According to the *Belt and Road: Building a Community with a Shared Future for Humanity* report issued by the State Council Information Office, at the end of June 2023, a total of 13 Chinese banks had set up 145 level-1 institutions in 50 participating countries. Meanwhile, 17.7 million merchants in 131 participating countries had started accepting UnionPay cards, and UnionPay Mobile was available in 74 participating countries.

In the future, financial accommodation will continue to be an important form of support for Belt and Road partnerships; and the overseas branches of Chinese commercial banks are expected to focus on cross-border finance, green finance, RMB internationalisation and other key areas.

By adopting a sound approach to the complex international environment, they can aim to improve the quality and efficiency of their operations, explore innovation in products and services, provide a wider range of financial services for countries along the Belt and Road, and promote the high-quality development of the initiative. Furthermore, as China plays a more active role in the creation and evolution of rules for the international financial sector, and further enhancements are made to mechanisms for financial cooperation between participating countries, commercial banks are expected to improve their business systems so that they connect across regions and integrate local and foreign currencies; more generally, they should also focus on driving cooperation between domestic and overseas institutions and building a global network for collaboration.

Contributed by Lilia Ma and Fannie Cheng.

Analysis of banking regulatory policies

Lorna Meng
Associate Director,
Research Center
KPMG China

Catherine Jin
Senior Researcher, KPMG
Intelligence and Insights Center for
Financial Services in China
KPMG China

Inclusive finance

The One Chain, One Policy and One Batch financing campaign for micro, small and medium-sized enterprises (MSMEs)

On 1 August 2023, the Ministry of Industry and Information Technology, the PBOC, the NFRA, the China Securities Regulatory Commission, and the Ministry of Finance issued the *Notice on Carrying out the One Chain, One Policy, One Batch Financing Campaign for MSMEs* (the "Notice"). The Notice stresses the importance of improving supply chain resilience and security for key industries, with a focus on MSMEs across industry chains. It calls for the establishment of a liaison and collaboration mechanism integrating the government, enterprises and financial institutions in order to encourage banking financial institutions to provide targeted and diverse financial support for MSMEs based on industry chain characteristics and their own strengths. A one-policy-for-one-industry-chain approach should be adopted to provide high-quality and efficient services for MSMEs across the chain, with enhanced financial support for those identified as specialised, distinctive and innovative enterprises (ZJTX enterprises).

The Notice specifies the following seven measures:

The One Chain, One Policy and One Batch campaign

1 **Building a financing ecosystem around key industry chains**

Local industry and information technology authorities should prepare a list of high-quality MSMEs that play a key role in their industry chains, and financial institutions should respond to the reasonable funding needs of MSMEs on the chain and provide financial services for them in an orderly manner.

2 **Conducting surveys and visits to enhance the collection of enterprise-related information**

Local industry and information technology authorities should, together with financial institutions, digital service platforms, public service institutions for MSMEs and public service demonstration platforms, carry out large-scale surveys and visits to collect information about MSMEs on the chain in a variety of ways, and deepen their understanding of industry chains and enterprises.

3 **Optimising credit strategies to drive quality and efficiency in credit financing**

Banking institutions should improve evaluation criteria for enterprises, optimise their credit granting models and improve service quality and efficiency on an ongoing basis, and devise targeted financing solutions. Meanwhile, local industry and information technology authorities should help financial institutions identify key enterprises in key areas so that customised services can be provided to them.

4 **Improving financing and credit enhancement strategies and optimising the guarantee model**

Government-affiliated financing guarantors should be encouraged to strengthen credit enhancement support for eligible small and micro enterprises on industry chains, and a "head office to head office" business model should be explored to provide credit enhancements in batches for small and micro enterprises on the chains.

5 **Optimising strategies for the cultivation of IPO-bound enterprises to help them access the capital market**

Local industry and information technology authorities should establish a database of IPO-bound enterprises to enable batch-based inclusion, hierarchical management, dynamic adjustments and targeted services. Intermediaries should be involved in the cultivation of IPO-bound enterprises to ensure that the enterprises receive diversified services that align with their stage of development. Intermediaries should also assist MSMEs so that they can better access the multi-level capital market.

6 **Improving equity investment strategies to boost the development of ZJTX enterprises**

Local industry and information technology authorities should regularly organise activities by industry chain and by industry to connect enterprises and investors, with a view to providing financing support for MSMEs that are engaging in R&D, commercialisation, innovation and collaborative research.

7 **Diversifying service strategies to meet a range of needs**

Financial institutions with sufficient means are encouraged to provide a diverse range of financial services to meet the disparate financing needs of MSMEs on industry chains. Standards should be devised to promote the development of supply chain finance. Meanwhile, exchange settlement services and related credit management should be improved, and export credit insurance should play a role in this area. Moreover, futures companies should strengthen services in areas such as corporate risk management and inventory management.

Source: The *Notice on Carrying out the One Chain, One Policy, One Batch Financing Campaign for MSMEs* by the Ministry of Industry and Information Technology and other government ministries, KPMG analysis

KPMG observations:

By enhancing cooperation between the government, enterprises and financial institutions, the Notice has facilitated financing and improved access to funds for MSMEs, and effectively reduced financing costs for them. At the same time, its measures are encouraging the orderly development of supply chain finance and lending pledged with movable properties and rights, which has improved financing efficiency and quality for MSMEs and promoted their healthy development. This campaign is expected to result in a deeper, more pragmatic approach to facilitating financing for MSMEs, improve the mechanism for leveraging financial support to promote the development of MSMEs, drive a virtuous circle for industrial finance, and generally contribute to MSMEs' high-quality development.

The State Council is promoting the high-quality development of inclusive finance

On 11 October 2023, the State Council issued the *Implementation Opinions on Promoting the High-Quality Development of Inclusive Finance* (the "Implementation Opinions"), which encourage the financial sector to deepen supply-side structural reforms, step up efforts to build a system for the high-quality development of inclusive finance, improve financial institutions' ability to serve the real economy, stimulate micro entities, and promote high-quality economic growth and the sustainability of the financial industry. The Implementation Opinions call for the following:

- Focusing on key areas. Banking institutions should take actions to improve the quality and efficiency of credit services in key areas, and more financial support should be provided to promote the sustainable development of small and micro businesses and rural revitalisation strategies. Financial institutions should increase lending to first-time borrowers and borrowers renewing loans, and issue more credit-based loans and medium and long-term loans. They should strengthen support for areas that are critical to people's livelihood, offer financial products that are more diverse, such as products for start-ups and students, and provide more services for the elderly and the disabled. In addition, they should integrate green and low-carbon goals into services for key areas of inclusive finance.
- Emphasising the roles of insurers and the capital market. Insurers should focus on developing agricultural insurance, commercial pension insurance and health insurance products to provide support for farmers, retirees and entities engaged in areas key to people's livelihood. Meanwhile, the capital market should be made more inclusive to help small and micro enterprises, agribusinesses, and innovators gain access to the multi-level capital market.
- Promoting the orderly development of digital inclusive finance. Financial institutions should be supported in their effort to deepen the application of the Internet, big data, artificial intelligence, blockchain and other technologies in order to drive digital transformation and create a sound ecosystem for digital inclusive finance. At the same time, the Implementation Opinions emphasise that digital inclusive finance should be subject to regulation.
- Attaching importance to infrastructure and the development environment. Publicly available credit information should be shared more effectively to address information asymmetries in the financial market. Efforts should be continued to build a payment environment in rural areas, improve underlying platforms such as those for intellectual property pledging and registration of movable properties for financing purposes, optimise the credit ecosystem, enhance people's financial literacy and awareness, and drive synergies between monetary, fiscal, tax, regulatory and industrial policies.
- Coordinating development and security. Actions should be taken to accelerate the reform of small and medium-sized banks to resolve their risks and improve their governance mechanisms. Laws and regulations related to inclusive finance should be improved to alleviate gaps and enable law-based governance for inclusive finance, and all types of financial activities should be subject to regulation in accordance with the law to counter illegal and criminal activities carried out under the cover of inclusive finance. Meanwhile, financial institutions should adopt a responsible approach to financial services and protect the legitimate rights and interests of financial consumers.

KPMG observations:

The Implementation Opinions are playing an important role in promoting economic growth in rural areas and supporting small-scale farmers and entrepreneurs. They are strengthening rural cooperative banks and enhancing such banks' credit support for agribusinesses and small and micro enterprises, while also facilitating the development of rural credit information systems, thereby improving the availability and efficiency of financial services in rural areas. These measures are conducive to meeting the financial needs of a wider range of individuals and enterprises and promoting overall economic prosperity. In addition, by strengthening risk management and operational compliance, the Implementation Opinions have improved the risk management capabilities of financial institutions and generally contributed towards financial stability.

The Implementation Opinions are also encouraging fintech innovation. The application of advanced technologies such as big data analysis and artificial intelligence has made financial services more intelligent and accessible, and further enhanced the financial industry's ability to compete. At the same time, the policy has encouraged the flow of funds into the real economy and key subsidised enterprises, optimised the financial service structure by aligning it with the needs of players in the real economy, and provided strong support for steady economic development.

Digital transformation

Government efforts to encourage banks to improve their digital service capabilities for capital account-related business

On 20 November 2023, the PBOC and the SAFE issued the *Notice on Improving Banks' Digital Service Capabilities for Capital Account-Related Business* (the "Notice"). It aims at encouraging banks to handle capital account-related foreign exchange and cross-border RMB business online and remotely for institutions, individuals and other entities, by promoting digital services for capital account-related business across the country.

The Notice mainly covers the following three aspects[12]:

- Support banks in handling their capital account business by reviewing electronic documents;
- Expand the types of digital capital account business, including the scope of digital services, foreign exchange, and cross-border RMB business under capital accounts that banks have been authorised to handle offline;
- Specify what capital account business banks are qualified to handle digitally and how they should do it, and the rules for business review, file management, and submission of relevant data and information.

The Notice builds on the *Notice on Improving Banks' Digital Service Capabilities for Foreign Exchange Business under Capital Accounts* (Exposure Draft) drafted by SAFE in February 2023 and has expanded the types of digitally handled business. Relevant capital account services that banks can handle offline have been fully included in the scope of digitalisation, and banks can decide by themselves which services to digitalise.

In accordance with the Notice, a bank that meets the following conditions can digitally handle their capital account business: the bank has established a complete management system for digitally handling the capital account business, including but not limited to business types, management measures or operating procedures, in-service and post-service management systems, and risk controls; the bank has a technical platform or means to transmit and store electronic documents, and relevant technologies to ensure the legitimacy, integrity and security of the electronic documents transmitted and stored; the bank has employees and management officers with relevant experience.

The Notice has also put forward basic requirements for banks and business entities. The head office of a bank should establish a complete digital business management system, and authorise its branches to carry out business based on actual circumstances. Market entities that apply for digital handling should have a strong track record of compliance and creditworthiness, and should also ensure that the electronic documents submitted are legal, authentic, complete and clear, and should not tamper with or illegally reuse electronic documents. At the same time, the Notice has defined the review and management requirements for digital handling. For both the online and offline capital account business, the relevant business review and file management requirements should be complied with. Banks should step up efforts to identify forgeries, alterations and illegal reuse[13].

Going forward, the PBOC and the SAFE will continue to require the financial sector to consider it as their mission to serve the real economy, and will adopt a coordinated approach to development and security, focus on facilitating cross-border investment and financing, strengthen the quality of financial services, and continuously improve their regulatory and risk management capabilities so as to be in a better position to promote the high-quality development of the real economy.

KPMG observations:

The Notice aims to improve efficiency and accuracy in banks' capital account business and marks the acceleration of digital transformation across the sector. Digitisation not only improves both service quality and competitiveness in the sector, but also benefits enterprises in many ways, such as by reducing the number of hard copies, the time needed for processing, and human errors. Their access to funding has been improved, the process has been simplified, and their costs have been reduced. Digital platforms have contributed to increased accessibility and personalisation of financial services.

In addition, digitalisation can also help enterprises enhance their risk management capabilities and ensure their steady development. This shift in the regulators' position shows the importance they attach to the digitalisation of the banking industry, and is aligned with rapid advances in digital technologies. By improving their digital service capabilities, banks have not only optimised their service quality and efficiency, but also driven the innovation and development of financial services, enabling more accessible, efficient and safe financial services for the real economy.

[12] PBOC and SAFE: *Improving Banks' Digital Service Capabilities for Capital Account-Related Business*, 21 November 2023, https://finance.eastmoney.com/a/202311212909066113.html

[13] Relevant capital account services that banks can handle offline have been fully included in the scope of digitalisation, The Paper. https://www.thepaper.cn/newsDetail_forward_23512725

The NFRA has defined a by-category, multi-tiered approach to data protection to accelerate the construction of data security infrastructure across the banking sector

On 22 March 2024, the NFRA issued the *Data Security Management Measures for Banks and Insurance Institutions (Exposure Draft)*. In view of accelerating digitalisation across the financial industry in recent years, it has become increasingly important to handle data security in a competent manner.

The Exposure Draft aims to ensure that regulators play a leading role by enhancing policies and encouraging banking and insurance institutions to assume their responsibilities, improve their internal systems, and take effective action to strengthen data management and protection and ensure the security of customer information and financial transaction data.

The key points of the Exposure Draft are as follows:

01 Define the data governance architecture

Banking and insurance institutions are required to establish an accountability system for data security, designate a department to be responsible for institution-wide data security work, and define each business line's responsibilities as regards data security

02 Establish data classification standards

Banking and insurance institutions are required to develop a by-category, multi-tiered data protection system, create a data catalogue and standards for data classification, and put in place category-specific safeguards

03 Strengthen data security management

Banking and insurance institutions are required to establish data security management systems and data processing mechanisms in line with national data security policies based on their own strategies

04 Improve the system of technologies for data security protection

Banking and insurance institutions are required to establish a technology architecture for data security, define data protection strategies and methods, and leverage technologies to ensure data security

05 Define the data governance architecture

Banking and insurance institutions should seek informed consent before processing personal information and should only collect such personal information as is necessary

06 Improve the mechanism for monitoring and responding to data security risks

Banking and insurance institutions are required to incorporate data security risks into their comprehensive risk management systems and define the process for risk monitoring and assessment, emergency responses and reporting, and incident handling

07 Define responsibilities for supervision and management

The NFRA and its local offices should supervise the data protection implemented by banks and insurers and respond to data security breaches in accordance with the law

Source: Press Conference on the *Data Security Management Measures for Banks and Insurance Institutions* (Exposure Draft); KPMG analysis

In terms of management responsibilities for data security, the Exposure Draft requires banks and insurers to carry out the following. Formulate data security strategies in line with national data security policies and based on their own development strategies; assess data security and analyse risks, the impact on data subjects' rights and interests, whether it is necessary to process the data, whether it would be in compliance with laws to do so, and how safeguards are working based on the purpose for which data is processed and the nature and scope of data processed; in accordance with laws and regulations data should be collected only for a valid reason and in accordance with law; the purpose, method, scope and rules should be defined to ensure security and traceability and ensure that no data is collected other than what the user agrees to. The Group should build a "firewall" between the head office and subsidiaries to ensure that the shared data is effectively protected. Specific security requirements have been established for data processing, processing by an agent, joint processing, and the transfer of data.

KPMG observations:

A classified and hierarchical approach has been a milestone for data security management. Integration of AI and big data technologies has brought disruptive innovation to industry players. Banks should not only establish their overall data security policies, but also develop well-designed management strategies taking into consideration the sensitivity, importance and confidentiality of data. By classifying data into different levels, banks can define permissions and responsibilities when exchanging data and collaborating with external parties, thereby significantly reducing risks of data breaches.

AI and big data technologies can help ensure higher efficiency and security in data exchange and collaboration between banks and other institutions, and contribute towards a prosperous financial industry. At the same time, this classified and hierarchical approach has had a profound impact on fintech companies and other market participants, motivating them to improve their data security management in order to be qualified candidates for partnerships with banks. This presents opportunities for fintech companies to work together with banks by providing advanced and secure data technology solutions. It has not only promoted fintech innovation and development, but also resulted in a range of opportunities and competitive advantages for the banking industry.

Support for the real estate sector

The PBOC and the NFRA decide to extend the 16 Financial Policies

On 11 November 2022, the PBOC and the former CBRC jointly issued the *Notice on Providing Financial Support to Ensure the Steady and Healthy Development of the Real Estate Market* (the "16 Financial Policies"), which sets out 16 supporting policies that call for maintaining stability and order in real estate financing, providing financial services to ensure the delivery of housing projects, driving cooperation to resolve risks associated with real estate enterprises in financial difficulties, and increasing financial support for home rentals. A period has been stipulated for the applicability of two of the policies. The 16 Financial Policies have played a positive role in maintaining reasonable financing for the real estate sector and resolving developer-related risks.

In view of the current real estate market and in order to provide guidance for financial institutions to extend existing loans to real estate enterprises and increase financial support to ensure the delivery of housing projects, the PBOC and the NFRA issued the *Notice on Extending the Applicable Period of Policies Related to Financial Support for the Steady and Healthy Development of the Real Estate Market* (the "Notice") on 10 July 2023. The regulators decided to extend the applicable period of the relevant policies defined in the *Notice on Providing Financial Support to Ensure the Steady and Healthy Development of the Real Estate Market* (i.e. the "16 Financial Policies") to 31 December 2024.

The two policies which have been extended are:

- For existing lendings to real estate enterprises, such as development loans and trust loans, financial institutions are encouraged to negotiate with developers based on commercial principles, and provide active support for the completion and delivery of projects by extending existing loans and adjusting repayment arrangements as long as creditor's rights are secured. Where a loan is due before 31 December 2024, it can be extended for another year in addition to the original term. It is not necessary to adjust the loan classification which may be kept consistent with the classification result submitted into the credit reference system.
- For supporting loans provided by commercial banks for special projects before 31 December 2024 in accordance with the 16 Financial Policies, the risk classification of such loans does not need to be lowered during the loan term. In case of an old loan replaced with a new one, the successor borrower should be treated as an eligible borrower. In such a case where a newly granted supporting loan turns into a NPL, the relevant institutions and employees should not be held accountable as long as they have already done their duty.

Except for the above two policies, other policies for which no applicable period has been defined remain effective in the long term. These two policies, which mainly focus on the supply side, have provided substantial support for real estate enterprises by easing liquidity pressures and have contributed towards the steady and healthy development of the market.

KPMG observations:

The 16 Financial Policies have put forward specific requirements on financing, risk disposal and consumer protection for the real estate sector. They show the regulators' concerns about, and support for, the sector. By ensuring stable financing and easing funding pressures on market participants and stabilising their expectations, they have helped to avoid the spread of risks and maintain financial stability. At the same time, they stress the importance of providing financial services to ensure the delivery of housing projects, supporting high-quality housing enterprises, protecting the rights and interests of home buyers, and improving the quality and efficiency of services available on the market. In addition, increased financial support has been provided for home rental to drive a upgrade in the market and meet people's housing needs. These measures reflect comprehensive regulatory support for the industry and will enable market participants to compete and develop sustainably and contribute towards a steady and healthy real estate market.

As policymakers commit to creating an environment where developers can have stable access to funds, real estate enterprises should cooperate with financial institutions and seize the opportunities to ensure that their housing projects progress smoothly, and leverage policy support to improve their balance sheet and asset quality and reduce financial risks. At the same time, in an increasingly competitive market, real estate enterprises should focus on their principal activities and improve product and service quality to enhance their ability to compete for a larger share of the market and give themselves better prospects for further development.

While responding to the call to provide more support for the real estate market and ensure steady access to funds for high-quality developers, financial institutions should also focus on risk management to secure capital and avoid the spread of risk. In addition, in order to meet diverse financing needs among market participants and promote a healthy market, financial institutions should also actively innovate financial products. These measures are aimed at stabilising the real estate market, creating an environment that benefits both developers and financial institutions while promoting sustainable economic development.

The PBOC and the NFRA lower interest rates for first-time home buyers and optimise the differentiated home loan policy

On 31 August 2023, the PBOC and the NFRA issued the *Notice on Matters Related to Lowering the Interest Rate on Existing Loans to First-Time Home Buyers* and the *Notice on Adjusting and Optimising the Differentiated Home Loan Policy* (the "Notices"), which aim to provide guidance for borrowers and lenders to adjust and optimise their assets and liabilities in an orderly manner, and to ensure order in the home loan market. The existing differentiated home loan policy has been adjusted and optimised to enable local governments to adopt city-specific home loan policies, lower the down payment ratio and interest rate for individual borrowers, and better meet the needs of home buyers with rigid demand and for improved housing. Thanks to this, borrowers can spend less on interest, helping drive consumption and investment. For banks, borrowers will have less motivation to repay their loan earlier than agreed, which will reduce the impact on banks' interest income.

The *Notice on Matters Related to Lowering the Interest Rate on Existing Loans to First-Time Home Buyers* contains the following key points:

- Starting from 25 September 2023, first-time home buyers can apply to their lenders for a replacement loan. The new interest rate should be agreed on by the financial institution and the borrower by negotiating an addition to the LPR and should not be lower than the floor of the interest rate for first-time buyers in the city where the original loan was issued. The new loan can only be used to repay the old one, and should be managed as part of commercial individual home loans.
- Starting from 25 September 2023, first-time home buyers can also apply to their lenders to negotiate a change to the interest rate agreed in the contract. The resulting rate should comply with the provisions of the previous article.

The *Notice on Adjusting and Optimising the Differentiated Home Loan Policy* contains the following key points:

- Establish unified lowest down payment ratios for commercial individual home loans. Abolish the distinction between cities that implement home purchase restrictions and those that do not. The lowest down payment ratios for first-time and second-time home buyers are set at 20% and 30%, respectively.
- Adjust the interest rate floor for second-time home buyers, down to LPR plus 20 basis points. The floor for first-time buyers remains at LPR minus 20 basis points.
- Local governments can determine, by themselves, the minimum down payment ratio and the applicable lowest interest rates for first-time and second-time home buyers, based on local circumstances and in line with trends in the local real estate market.

KPMG observations:

The Notices have provided guidance for banks and their customers to negotiate in accordance with law and market-based rules to reduce interest rates on existing home loans in an orderly manner, and to ensure order in the market. At the same time, they can also reduce the illegal use of business loans and consumer loans to replace existing home loans, reducing potential risks. The Notices help industry players adapt to the new realities of China's real estate market, where the supply-demand relationship has changed significantly, better meet the needs of home buyers with rigid demand and for improved housing, and promote a steady and healthy real estate market.

Risk management

The NFRA and the PBOC strengthen the classified approach to risk management for commercial banks' financial assets

On 11 February 2023, the former CBRC and the PBOC issued the *Measures for the Classification of Risks Associated with the Financial Assets of Commercial Banks* (the "Measures"), which came into force on 1 July 2023. The Measures are the first formal revision of the Guidelines on Loan Risk Classification (the "Guidelines") issued by the former CBRC in 2007 and are an improvement on the exposure draft issued in 2019 in many aspects. The Measures, which consist of 48 articles in six chapters, require commercial banks to classify all risk-bearing off-balance-sheet and on-balance-sheet financial assets by risk in accordance with the principles of authenticity, timeliness, prudence and independence.

Since its release 16 years ago, the Guidelines had served as regulatory guidance for the five-level loan classification. However, some commercial banks still had the following problems with the classification of financial assets by risk:

- Inadequate coverage. Some banks only classified loans, and there was no defined approach for assets other than loans.
- Inconsistent classification standards. Banks interpreted the Guidelines differently, resulting in poor comparability between classification standards.
- Lack of standards for management. Some banks' governance structures and division of responsibilities were ill defined, and, in consequence, so were their work procedures and requirements.

The specific requirements of the Measures include:

- Increases coverage. Instead of loans alone, all financial assets bearing credit risk are covered.
- Defines the five-level classification, establishes classification standards for retail assets and non-retail assets, and specifies requirements for special situations such as overdue debts, impaired assets, and evasion of debts, as well as classification-related issues in upgrading, M&As, asset management and asset securitisation.
- Establishes requirements for the classification of restructured assets. The definition, identification criteria and exit criteria for restructured assets have been refined; the classification requirements under different circumstances have been defined; and an observation period has been specified for restructured assets.
- Strengthens the classified approach to risk management for banks. Commercial banks are required to improve their governance structures and formulate management systems for risk classification, define classification methods, processes and frequencies, develop and improve information systems, and strengthen monitoring and analysis, information disclosure, and file management.
- Clarifies supervision and management requirements. Regulators should supervise, inspect and evaluate banks' classified approach to risk management, and take regulatory measures against, and impose administrative penalties on, banks that breach the requirements.

KPMG observations:

Credit risk is the most significant risk faced by China's banking industry, and a sound classification system is the groundwork for effective credit risk management. The Measures can help Chinese commercial banks align their risk management practices with the *Administrative Measures for the Implementation of the Expected Credit Loss Method by Commercial Banks* and the Basel Committee's *Guidance on Prudential Treatment of Assets*. Moreover, the Measures can help commercial banks accurately identify and assess credit risks and further improve their ability to manage credit risks, serve the real economy and drive their own high-quality development. Commercial banks should sort out how their financial assets are classified by risk, establish a governance structure, improve their management system for risk classification, optimise their information systems, strengthen monitoring, analysis and disclosure, and effectively improve their capabilities for risk classification management.

Measures for risk prevention and control in connection with criminal cases involving banking and insurance institutions

In order to further act on the spirit of the 20th National Congress of the CPC, urge banking and insurance institutions to take early actions and improve their governance mechanism for risk prevention and control in connection with criminal cases, and curb the high incidence of criminal cases, the NFRA issued the *Administrative Measures for Risk Prevention and Control in Connection with Criminal Cases Involving Banking and Insurance institutions* (the "Measures") on 3 November 2023, and they came into effect on 1 January 2024.

The Measures consist of 40 articles in 5 chapters and include the following main points:

- Defines the objectives and basic principles for risk prevention and control in connection with criminal cases. The Measures stress the following principles: prevention first, proactiveness, full coverage, focused, legal representative being the responsible person, responsibilities defined for each level, joint efforts, each performing its own duties, local regulation, and integration into day-to-day work.
- Establishes the legal representative as the principal responsible person. The Measures define the responsibilities and tasks of the Board of Directors (Management), the Board of Supervisors, and senior management for risk prevention and control in connection with criminal cases, and further define the responsibilities of the leading department, internal functions, branches and internal audit department.
- Clarifies the main tasks for banking and insurance institutions in risk prevention and control in connection with criminal cases. The Measures emphasise that banking and insurance institutions should improve their risk prevention and control systems, assess where efforts should be focused, optimise key measures, strengthen the construction of information systems, and carry out risk assessment on criminal cases on a timely basis .
- Defines the division of responsibilities, and requirements for off-site supervision, on-site inspection, and administrative penalties, for regulatory authorities.

KPMG observations:

The Measures emphasise the importance not only of establishing a systematic, regular and comprehensive risk prevention and control mechanism, but also of strengthening the supervision of leadership and monitoring abnormal employee behaviours. In order to implement these requirements more effectively, banks and insurers—as well as other financial institutions that are expected to take actions with reference to the Measures—need to strengthen their prevention and control systems in line with their own management practices. At the same time, the Measures also encourage banks and insurers to make greater use of information technologies such as big data and artificial intelligence to improve system control and enhance their ability to prevent, identify, detect and respond to risks.

Banking and insurance institutions are expected to strengthen data application and intelligent technologies and adopt a more forward-looking, proactive approach to risk prevention. The Measures will further encourage banks and insurers to take early actions and improve their governance mechanism for risk prevention and control in connection with criminal cases so as to forestall risks and address root causes. This will comprehensively improve their standards for and the effectiveness of risk prevention and control, and help lay a solid foundation for the steady development of the industry.

The NFRA further strengthens country risk management systems

In order to improve the country risk management systems of banking financial institutions and promote the steady and sound development of the banking industry, the NFRA revised the *Guidelines on Country Risk Management for Banking Financial Institutions* (the "Guidelines") on 24 November 2023, and formulated the *Administrative Measures for Country Risks of Banking Financial Institutions* (the "Measures"). The Measures comprise 5 chapters and 43 articles in total, reflecting the structure of the Guidelines.

The Measures have revised the following items:

- Pursuant to relevant requirements for the management of normative documents, the Guidelines have been changed to the Measures, and the name has been changed to the *Administrative Measures for Country Risks of Banking Financial Institutions*.
- The Guidelines did not specify a uniform standard for the measurement basis of country risk exposure, and the revision clarifies the measurement basis for country risk exposure in accordance with the principle of complete risk coverage.
- In response to issues around the lack of convergence between the Guidelines and the new accounting standards, which resulted in duplicate provisions, the revision includes the country risk reserve under owner's equity as part of the general reserve to cope with unanticipated losses. Meanwhile, the Guidelines also stipulate that if the general reserves of the banking financial institutions are sufficient and meet the relevant floor set by the MOF, the country risk reserves are considered to be sufficient and no additional provisions are required.
- The Measures improve the management of the provision for the country risk reserve by including loan commitments and financial guarantees in the provision scope, while appropriately adjusting downward the provision proportion. On-balance sheet unappropriated commitments and financial guarantee contracts are included in the provision scope of the country risk reserve, and are required to be calculated after discounting based on the credit conversion coefficient for various off-balance sheet items under the relevant capital requirements of commercial banks. At the same time, the provision proportion of country risks with low, relatively low, moderate, relatively high and high ratings has been reduced from no less than 0.5%, 1%, 15%, 25% and 50% respectively to no less than 0%, 0%, 5%, 15% and 40%.
- Rules regarding segregation of duties for banking financial institutions' country risk management and restrictive requirements related to country risk transfer have been revised and improved. The Measures clearly define the responsibilities of each department for country risk management and the route, frequency and content of country risk reports. They also require departments to exercise supervision and effectively perform their responsibilities for country risk management to ensure the effective operation of the country risk management system.

The Measures have improved the provisions on the measurement basis of country risk exposures, the segregation of duties for country risk management, the criteria for country risk transfers, the rating determination for country risks and the provision for country risk reserves, which are all important components of commercial banks' country risk management systems. The Measures are conducive to making up for shortcomings in the regulatory system, and will help prevent financial risks while promoting the steady and sound development of the banking industry.

KPMG observations:

The Measures revise and upgrade the country risk management mechanism, representing a key advancement in risk management for China's banking sector. This release reflects the maturity of risk management in China's banking sector and provides a solid guarantee for the steady development of the industry. The new regulations highlight the importance that regulators are attaching to country risks, clarify the relevant management responsibilities and framework for financial institutions, and enhance the banking sector's awareness of and response to country risks.

The new regulations also encourage international cooperation to jointly address risks and enhance the international competitiveness of China's banking sector. At the same time, the new rules also present certain challenges, such as greater complexity in cross-border operations and changes in decision-making by foreign investors and borrowers. Going forward, the banking industry needs to proactively address these challenges while also strengthening risk management and international cooperation to cope with country risks.

The NFRA's revision of the *Administrative Measures on Operational Risks of Banking and Insurance Institutions*[14]

To consolidate achievements in the effort to prevent and resolve financial risks, and address complexities around operational risk prevention and control, the NFRA issued the *Administrative Measures on Operational Risks of Banking and Insurance Institutions* (the "Measures") on 27 December 2023, and they were scheduled to come into effect from 1 July 2024.

Compared with the *Administrative Measures on Operational Risks of Banking and Insurance Institutions* (Consultation Paper) issued in July 2023, the Measures have made necessary adjustments and improvements to certain provisions, mainly including:

- Adjusts the positioning of operational risk management under the operational resilience framework. The Measures adjust the synergistic relationship between operational risk management and other management systems under the operational resilience framework for large-scale banking and insurance institutions from one of "overall coordination" to one of "organic connectivity," which aligns more closely with the overall positioning of operational risk management for domestic banking and insurance institutions.
- Adjusts operational risk management staffing requirements for the second line of defence. The Measures (Official Version) ease operational risk management staffing requirements for large-scale banking and insurance institutions, while tightening relevant requirements for small-scale banking and insurance institutions.
- Adjusts the frequency of external audits and evaluations. The Measures adjust the frequency of external audits and evaluations that should be carried out by large-scale banking and insurance institutions to "regular," and institutions may set the frequency of operational risk audits based on the risk-oriented approach according to their operational risk management situation.
- Adjusts the responsibilities of various industry associations. The Measures encourage industry associations, academic institutions and intermediaries to establish databases of operational risk events and losses in related fields, which will expand data sources for operational risk losses.
- Large-scale insurance institutions will be allowed a one-year transition period. The Measures grant a one-year transition period to large-scale insurance institutions and a two-year transition period to small-scale banking and insurance institutions, taking into account differences in the implementation of the new operational risk regulations by insurance institutions and allowing sufficient time for their implementation.

KPMG observations:

By requiring banking and insurance institutions to establish sound operational risk management systems and processes, the Measures strengthen internal controls and enhance risk management capabilities in order to lower the probability of operational risks, with the goal of minimising financial losses and improving risk management across the entire industry. In addition, the policy encourages banking and insurance institutions to comply with relevant rules and regulations in the course of daily business operations to ensure business compliance, further promoting standardised development and enhancing the overall image of the industry. With the strengthening of operational risk management, market confidence in the entire banking and insurance industry will grow, which will help stabilise market sentiment and promote the sound development of the market. Moreover, the policy also encourages banking and insurance institutions to innovate financial products and services to meet the diversified needs of the market, with a view to promoting the innovative development of the industry and enhancing its competitiveness and vitality.

The Measures comprehensively consider the pain points and difficulties faced by banking and insurance institutions in management practices, specify the overall objectives of operational risk management, improve the framework for operational risk management, and refine the processes and methods of operational risk management. Based on the characteristics and differences in scale between institutions, the Measures provide unified operational risk supervision regulations for banking and insurance institutions that will enable them to continuously improve their operational risk management systems and enhance the effectiveness of operational risk management.

In summary, the implementation of the Measures is expected to improve risk management in the industry, promote business standardisation, enhance market confidence and boost industry innovation. They also provide banking and insurance institutions with specific and better guidance around operational risk management in an effort to help them adapt to changes in the market and various development needs.

[14] Interpretation of the *Administrative Measures on Operational Risks of Banking and Insurance Institutions* (Official Version), KPMG China, 8 January 2024.https://mp.weixin.qq.com/s/BxXtqcV9kXepg42U2zZtig

Business management

The NFRA issues the first regulations for various types of custody products

In recent years, commercial banks have been providing custody services for a variety of financial products. In this regard, they have steadily expanded their business scale and service offerings while also pursuing innovation. This business growth has brought challenges in terms of information system risk, operational risk, compliance risk and reputational risk. On 29 December 2022, the former China Banking and Insurance Regulatory Commission ("CBIRC") issued the *Supervision and Administration Measures for Custody Business of Commercial Banks* (Consultation Paper), which clarifies the basic rules for commercial banks to conduct custody business, strengthens bottom-line requirements and refines management standards for key areas.

The Consultation Paper consists of 6 chapters and 48 articles, including the General Provisions, Basic Requirements, Scope of Business and Custody Responsibilities, Management Requirements, Supervision, Administration and Legal Liabilities, and Supplementary Provisions. The Consultation Paper covers the following:

- Specifies relevant concepts and basic principles for commercial banks' custody business. Custody business refers to when commercial banks, as independent third parties, provide property custody and related services for various types of asset management products as well as social security funds, pension funds and insurance funds. Commercial banks are required to comply with the principles of honesty and trustworthiness, diligence, independence and prudence, and risk isolation in carrying out custody business, so as to safeguard the independence of fiduciary properties.
- Clarifies basic requirements that commercial banks should continuously comply with in carrying out custody business, including the execution of fund transfer instructions in accordance with provisions under relevant laws and regulations as well as custodian contracts; the establishment of sound cybersecurity protections to resist cyber attacks; the development of complete business continuity plans and contingency plans; and being able to securely receive data related to custody business from relevant parties in a timely manner.
- Clarifies the scope of custody business and custody responsibilities. Commercial banks are required to classify custody product properties into custodiable assets and other assets in accordance with their actual controls. They are also required to provide appropriate custody services and other services based on their own capabilities and service levels, and to specify the rights and obligations of all parties through custody contracts.
- Proposes management requirements for custody business. Commercial banks are required to establish a sound governance structure for custody business and to strengthen business management in terms of management systems, business independence, authorisation control, business access, publicity and marketing, and data protection.
- Further strengthens arrangements relating to continuous regulatory measures, regulatory penalties, data reporting and self-discipline management.

KPMG observations:

The Consultation Paper aims to regulate market order and prevent unfair competition and irregularities through stricter regulations, with a view to ensuring the long-term sound development of the industry. The Consultation Paper also emphasises enhancing the risk management of commercial banks, reducing business risks, and protecting the rights and interests of investors and clients through the establishment of sound governance structures for custody business and the strengthening of risk isolation principles. In addition, the measures promote business innovation and require commercial banks to provide appropriate custody services in accordance with their own capabilities and service levels, so as to facilitate the development of custody business. To ensure the effective implementation of the regulatory policies, the Consultation Paper also strengthens responsibilities in respect of continuous regulatory measures, regulatory penalties, data reporting and self-discipline management for commercial banks' custody business. These measures will not only help enhance the overall image and reputation of the industry, but will also promote the development of commercial banks' custody business in the direction of greater standardisation, specialisation and refinement.

The NFRA further optimises the joint credit granting mechanism

In 2018, the former CBIRC issued the *Administrative Measures on Joint Credit Granting by Banking Financial Institutions (for Trial Implementation)* (the "Trial Measures") to conduct joint credit granting on a pilot basis. To guide banking financial institutions to further strengthen credit granting management, improve the relationship between banks and enterprises, and optimise the allocation of credit resources, on 17 February 2023, the former CBIRC issued the *Notice on Further Effectively Implementing the Pilot Program for Joint Credit Granting* (the "Notice") to further improve the joint credit granting mechanism. Compared with the Trial Measures, the Notice includes the following highlights:

- Clarifies the positioning of remote banking institutions in the joint credit granting management mechanism and requires remote institutions to actively participate in joint credit granting. This requirement addresses the problem of how to promote the participation of remote institutions in joint credit granting, which was left over from the Trial Measures. Since local regulators and banking associations lack effective constraints on remote banking institutions under the principle of territorial regulation, remote financial institutions either operate outside of the joint credit granting mechanism or outside of controls on the total amount of credit granted to enterprises under the joint credit granting mechanism. More importantly, irregular behaviour by remote institutions also increases the difficulty and uncertainty involved when handling corporate risk events. Therefore, the Notice requires remote banking financial institutions to actively join the Joint Credit Granting Committee and operate in accordance with the resolutions of the Joint Credit Granting Committee. Meanwhile, the Notice also clarifies that the local office of the CBIRC and the local banking association may seek assistance from remote offices of the CBIRC and remote banking associations in coordinating remote banking financial institutions to participate in joint credit granting. The offices of the CBIRC and the banking associations in other jurisdictions shall handle requests for relevant assistance from the office of the CBIRC and the banking association in the place where the enterprise is registered or its principal place of business in a timely manner.
- Expands the scope of enterprises included in joint credit granting management, which may indicate that the small-scale pilot programme is transitioning into a large-scale initiative. The Notice requires all offices of the CBIRC and local banking associations to summarise and determine the full list of enterprises whose registered place or principal place of business is in the local province (autonomous regions, municipalities directly under the central government, and municipalities with independent planning status) and that comply with the provisions under Article 6(1) of the Trial Measures (for enterprises with financing balances in more than three banking financial institutions and whose financing balances in aggregate are over RMB 5 billion).

  The Notice encourages banking financial institutions to establish the joint credit granting mechanism with all enterprises included in the list as far as possible, and endeavour to set up as many mechanisms as possible. However, the Trial Measures only require each office of the CBIRC to select no less than 10 enterprises for the pilot programme (and no less than 5 enterprises for municipalities with independent planning status and in provinces with smaller economic aggregates) in accordance with the specified criteria.
- Standardises the behaviour of all participants in joint credit granting management and strengthens the accountability mechanism for the performance of duties. The Notice explicitly requires banking institutions participating in joint credit granting management to improve their credit management processes and perform independent review procedures, and they should not place undue reliance on the risk control standards of other banking financial institutions or relax their risk management requirements in order to attract customers. The Notice also requires banking financial institutions to incorporate the joint credit granting requirements into their credit management system and strengthen assessment and accountability. Those that shirk their responsibilities, fail to cooperate in data reporting, etc. will be held accountable in accordance with laws and regulations.
- Specifies the connection between the joint credit granting mechanism and other risk response mechanisms. The effective connection between the joint credit granting committee and the creditors' committee will produce synergistic effects. The Notice also clarifies that creditors' committees that were established before the issuance of the *Notice by the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission, the People's Bank of China, and the China Securities Regulatory Commission on the Promulgation of Work Procedures for Financial Institutional Creditors' Committees* and that are still in existence, but do not meet the relevant establishment criteria in Article 2 of the Notice, and those of enterprises that have resumed normal production and operations after being revitalised by debt restructuring and other methods, may be converted to joint credit granting committees if they meet the criteria for the establishment of joint credit granting committees. Moreover, the Notice requires that joint credit granting management be coordinated with the fight against debt evasion. The Notice clarifies that banking financial institutions can strengthen the sharing of information on financial debt evasion by various enterprises through the joint credit granting committee, with a view to resolutely cracking down on financial debt evasion and actively safeguarding the legitimate rights and interests of financial institutions.

KPMG observations:

The implementation of the Notice has deepened the joint credit granting mechanism's functions in risk management and financial resource allocation. In view of the credit granting concentration risk that arises if multiple banks grant credit to a single enterprise, the joint credit granting mechanism has played an important role in controlling and effectively restraining long-position financing and excessive financing, thus significantly reducing the probability of significant credit risks. These measures are not only conducive to risk prevention and control in the banking system, but also provide a solid financial guarantee for the sound development of enterprises.

The supplementary notice on key matters emphasises the key role of the joint credit granting mechanism in establishing sound, long-term cooperative relationships between banks and enterprises. By strengthening information sharing as well as deepening communication and collaboration, joint credit granting can promote mutual trust and benefits between banks and enterprises, and help them form stable and sustainable cooperative relationships. Furthermore, this mechanism also helps optimise the allocation of financial resources, and ensures that funds can more accurately and efficiently flow to the real economy to support its development and growth.

The joint credit granting mechanism also plays a key role in dealing with the relationship between serving the real economy and preventing financial risks. By syncing follow-up in respect of risk control measures, banks are able to serve the real economy more actively and achieve a balance between risks and benefits on the premise of safeguarding funds, which is not only conducive to enhancing the risk management capabilities of banks, but also helps promote the sound development of the real economy.

The NFRA issues new rules on the capital management of commercial banks

In order to implement the decisions of the Central Financial Work Conference and strengthen comprehensive financial supervision, the NFRA formulated the *Rules on Capital Management of Commercial Banks* (the "Capital Rules") on 26 October 2023, further improving the capital regulatory standards of commercial banks, encouraging banks to strengthen their risk management, and improving the quality and efficiency of support for the real economy. The Capital Rules came into effect on 1 January 2024.

The highlights of the Capital Rules are set out below:

- Builds a differentiated capital regulatory system commensurate with the scale and business complexity of banks and reduces compliance costs for small and medium-sized banks. Banks are classified into three tiers according to their scale and business complexity to match different capital regulatory schemes. In particular, banks with large scale or more cross-border operations are classified as Tier 1 and are benchmarked against international rules on capital regulation; banks with a smaller scale and fewer cross-border operations are included in Tier 2, and are subject to relatively simplified regulatory rules. Finally, Tier 3 focuses on banks with a smaller scale and no cross-border operations, and their capital measurement requirements are further simplified. Banks in Tier 3 are encouraged to focus on counties as well as small and micro financial services.
- Comprehensively revises the risk weighting measurement standards for assets, including the standardised approach and internal ratings-based (IRB) approach for credit risk, the standardised approach and internal model approach for market risk, and the standardised approach for operational risk, so as to enhance the risk sensitivity of capital measurement. In terms of credit risk, the standardised approach focuses on optimising the criteria for the classification of risk exposures, adding risk-driven factors and refining risk weights. In terms of market risk, the new standardised approach calculates capital requirements by determining risk factors and sensitivity indicators, and it replaces the previous simple approach that was based on positions and capital coefficients. Meanwhile, the internal model approach has been reconstructed to capture the fat-tail risk of market volatility using the expected shortfall (ES) approach instead of the value-at-risk (VaR) approach. In terms of operational risk, the new standardised approach is based on business indicators and introduces an internal loss multiplier as an adjustment factor for capital requirements.
- Banks are required to formulate effective policies, processes, rules and measures to fully track changes in customer risks in a timely manner and ensure the applicability and prudence of risk weights. With regard to credit risk, banks are required to establish and effectively implement corresponding credit risk management systems, processes and mechanisms. In terms of market risk, the internal model approach measurement is based on trading desks, which requires banks to develop policies for trading desk operations, and segment and manage the trading desks. In view of operational risk, robust standards, rules and processes must be in place for the collection of losses data before regulatory-given loss multipliers and coefficients can be applied.
- Strengthens supervisory oversight, optimises stress testing, deepens the application of the pillar II supervisory requirements, and further enhances supervisory effectiveness. The contents of supervisory inspections should be improved with reference to international standards; moreover, the existing domestic regulatory system should be better integrated to facilitate the implementation of the policies.
- Improves information disclosure standards as well as the disclosure of relevant qualitative and quantitative information, and also strengthens market discipline. In compliance with the matching principle, a differentiated information disclosure system covering various types of risk information should be established, and a standardised information disclosure form should be introduced, requiring commercial banks to disclose information in accordance with the prescribed disclosure format, content, frequency, method and quality controls.

KPMG observations:

By adjusting the risk weights of banks' claims, the Capital Rules are effectively restraining funds that are circulating within the sector without actually entering the real economy. The new rules prompt banks to invest more funds in the real economy and key state-subsidised enterprises, which not only facilitates the sound development of the real economy, but also enhances the risk management of banks. Second, lowering the risk weight of investment-grade corporate bonds means that banks will be more inclined towards high-grade credit bonds and debt-to-equity swaps when allocating funds, a change that may impact the credit rating spreads of claims; however, in the long run, it will expand financing channels for listed companies and enhance their financing capabilities.

In addition, the Capital Rules encourage banks to invest in more transparent asset management products by adjusting risk weights, which helps control banks' off-balance sheet risks and enhances the transparency of the financial market. In summary, the formulation of the Capital Rules represents an important measure taken by the NFRA to implement the CPC Central Committee's decisions on strengthening and improving modern financial supervision, improving the matching of capital regulation with the scale and business complexity of banks, and reducing compliance costs for small and medium-sized banks without easing the requirements for prudential supervision. Furthermore, the Capital Rules will strengthen the role of capital in resource allocation, guide commercial banks to optimise and adjust their asset structures, and increase support for the real economy.

The NFRA proposes optimisations to regulations on syndicated loan business

Building on the *Guidelines on Syndicated Loan Business* (the "Guidelines"), on 22 March 2024, the NFRA released the *Rules on Syndicated Loan Business (Consultation Paper)* (the "Consultation Paper"). The revision of the Guidelines is an important move to improve the loan business management of commercial banks and ensure that such management is problem-centred, steady and innovative. The changes will effectively encourage commercial banks to strengthen inter-bank cooperation, and effectively prevent and resolve credit risks while providing high-quality financing for economic and social development.

The main contents of the Consultation Paper include:

- The document category has been amended from "Guidelines" to "Rules," and relevant contents on supervision, management and administrative penalties have been added to facilitate comparison and implementation.
- Specifies the supervision focus and requires commercial banks to engage in syndicated loan business to better support the development of the real economy, while effectively preventing and resolving risks.
- Enriches the models for the structure of syndicated loans, optimises the distribution ratio and secondary market transfer rules, and enhances the convenience of conducting syndicated loan business.
- Standardises syndicated loan charges, improves the pricing mechanism for syndicated loans and puts forward more systematic requirements for syndicated loan management.

In terms of optimising the syndicated loan business of commercial banks, the Consultation Paper makes optimisations in three areas, including models for the structure of syndicated loans, the distribution ratio and secondary market transfers:

- **Models for the structure of syndicated loans**
  The Guidelines stipulate that syndicated loans should be based on the same conditions, while the Consultation Paper incorporates a group syndication model based on international experience and market practices, and puts forward specified requirements on the group setting and agency banks. These rules should change the current status of the single syndication model, and enhance banks' enthusiasm for carrying out syndicated loan business.
- **Distribution ratio**
  In accordance with the principle of balancing efficiency and risk diversification, the Consultation Paper adjusts the principle lower limits for the share of underwriting and the share of distribution when a single bank acts as the lead bank from 20% and 50% to 15% and 30%, respectively, which is conducive to the formation of syndications.
- **Secondary market transfer**
  The Consultation Paper allows banks to partially transfer syndicated loans in the form of a pro rata split of the outstanding principal and interest, which will further activate the secondary market for syndicated loans and release accumulated credit resources.

In addition, on the basis of the Guidelines, the Consultation Paper, in order to maintain the healthy and sustainable development of syndicated loans, puts forward requirements on syndicated loan charges by clarifying regulatory guidance, requiring banks to improve the pricing mechanism, and preventing non-compliant behaviour. The Consultation Paper also further clarifies the responsibilities of correspondent banks amid the current disorganised set-up of correspondent banks in relation to syndicated loans, separate loan agency, and multiple transfers and redeposits. In the next step, the NFRA will further revise and improve the Consultation Paper according to feedback from all sectors of society, and promulgate and implement the Consultation Paper in due course.

KPMG observations:

The *Rules on Syndicated Loan Business (Consultation Paper)* not only standardise operational processes for syndicated loan business, but also strengthen risk management and information sharing mechanisms. First, the implementation of this regulation will help improve risk management for syndicated loan business. Syndicated loans, as an important form of financing, involve multiple financial institutions and complex legal relationships. By formulating a unified business management approach, the behaviour of all parties can be regulated, responsibilities and rights can be clarified, and the occurrence of risky events can be reduced. The regulation also strengthens credit assessments and risk management for borrowers to ensure the safety and compliance of loan funds. Second, the regulation promotes cooperation and information sharing within the banking sector. Syndicated loan business requires the participation of multiple banks, and information sharing is key to ensuring smooth operations. Based on regulatory measures, a unified information-sharing platform can be established to enhance information transparency and reduce the risk of information asymmetry, which will not only help improve operational efficiency, but also enhance the overall competitiveness of the banking sector.

Implementation Measures for Discretion over Administrative Penalties issued by the NFRA

On 29 March 2024, the NFRA published the *Implementation Measures for Discretion over Administrative Penalties* (the "Measures") on its website, which, on the basis of summarising and enhancing the practical results of discretion over penalties, uniformly standardises the key issues and aspects involved in penalty discretion, and encourages financial regulators to correctly perform their financial supervision responsibilities by refining the discretion standards and standardising the scope, the types and the extent of discretion, to ensure the accuracy, fairness, efficiency and operability of administrative penalties.

The Measures mainly include:

1. Strict regulation of law enforcement. Clarifying the definition of discretion over penalties, which shall be exercised by following the basic principles of legal penalties, penalties in line with offence, and legal procedure, etc.
2. Refined discretion levels and applicable circumstances. Clarifying the basic connotation of mitigated, light, moderate, and heavy punishment, and further refining the applicable circumstances for no punishment, mitigated punishment, light punishment, and heavy punishment. It also specifies that the responsibilities of a liable person shall be determined based on overall consideration of the post duties of the party concerned, the relevance with the unlawful act, the harmful consequences of the unlawful act, and other factors, and how when several liable persons are punished for the same matter, primary and secondary liability shall be distinguished.
3. Specification of applicable criteria for fines and the confiscation of illegal gains. Clarifying the criteria for the ranges of light, moderate, and heavy fines for the banking and insurance sector, as well as the identification criteria and calculation method of illegal gains. For the calculation of illegal gains, the amount refunded or compensated by the party concerned shall be deducted from the illegal gains. Taxes and other legally necessary expenditures that can be proved directly relevant based on relevant bills and accounting books provided by the party concerned may be deducted from the illegal gains.
4. Clarification that a provincial-level office of the NFRA may, in light of the status of local economic and social development, reasonably refine and quantify the levels, range and applicable circumstances of administrative penalties within its jurisdiction. Where the application of the Measures may be obviously improper or obviously unfair, or where there changes in the objective circumstances where the benchmark for discretion over penalties is applied, the application may be adjusted.

KPMG observations:

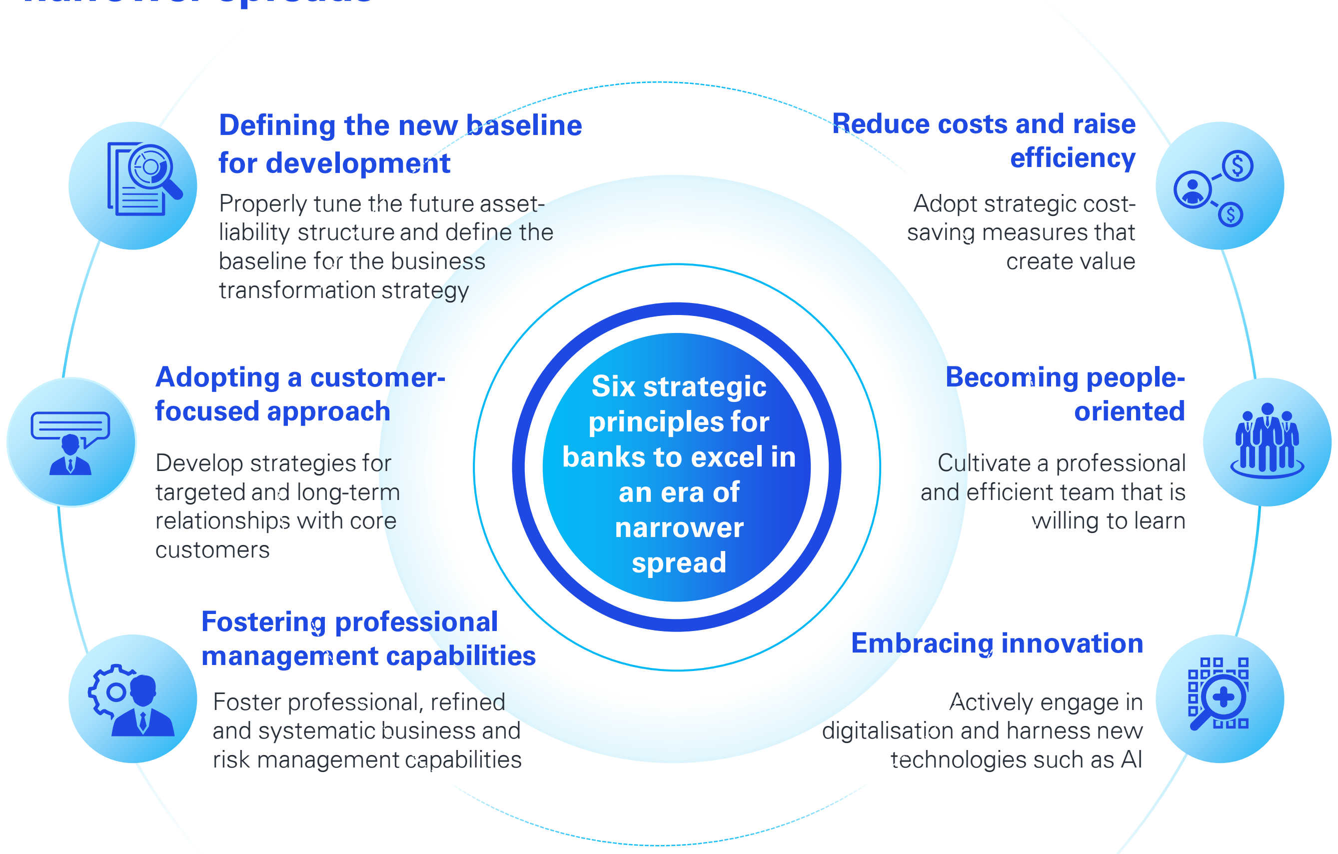
The Measures help maintain consistency and improve operability by avoiding a "one-size-fits-all" method. It facilitates the refined and standardised supervision of the banking and insurance sectors, regulates financial law enforcement, and improves the fairness and stability of financial law enforcement. Meanwhile, the Measures will crack down on violations of financial laws and regulations in an accurate and efficient manner, helping strengthen supervision of banking and insurance institutions and their liable persons, so as to maintain order within the financial market and protect the rights and interests of consumers.

In addition, the Measures specify that the penalty provisions can be adjusted according to the objective circumstances, helping ensure the rationality of penalty decisions, uphold the authority of the financial supervision, and lay a solid foundation for the stable and sustainable development of China's financial industry.

02

Important topics

Six strategic principles for banks to excel in an era of narrower spreads



Source: KPMG analysis

Defining the new baseline for development: Properly tuning the asset-liability structure and defining the baseline for the business transformation strategy

In contrast to the historical development pattern that mainly focused on increasing scale, the future pattern requires banks to build an asset-liability structure that enhances their sustainable business operating capabilities and aligns with high-quality economic and financial development and narrowing spreads. In this way, they can define the baseline for their business transformation strategies.

Adopting a customer-focused approach: Developing strategies to form targeted and long-term relationships with core customers

Customers are the basis for the sustainable development of banks. It is crucial for banks to develop strategies for forming targeted and long-term relationships with core customers. Banks should focus on core customer groups to maximise business value, while striving to retain basic customers and enhance the foundation of their businesses.

Fostering professional management capabilities: Foster professional, refined and systematic business and risk management capabilities

To maintain and expand market share and obtain sound financial returns, banks need to build professional, refined and systematic capabilities for business and risk management, so as to enhance their competitiveness in a homogeneous market.

Becoming people-oriented: Cultivate a professional and efficient team that is willing to learn

The era of rapid growth has been historic for the banking sector, with the concept of "talent is the most important resource" gaining popularity among banks. In addition to placing a greater emphasis on talent attraction, staff development and training, and bringing new blood into the workforce, banks also need to consider factors which may constrain the development of their human resources, such as an insufficient supply of talent in the region, non-competitive salary packages, and other objective constraints, and seek to make break throughs via business model reconstruction and structural adjustment.

Reducing costs and increasing efficiency: Adopt strategic cost-saving measures around value creation

Instead of continuously pursuing simple scale expansion and rapid growth which are no longer suitable in the current industry environment, banks should shift to a more cost-effective business strategy, optimise their debt structure, and maintain good levels of risk compensation by implementing cost-saving measures. To this end, banks should start from the three major areas of "indicators, management and innovation," to formulate cost-saving measures and safeguard customer property.

Embracing innovation: Actively engage in digitalisation and deploy new technologies such as AI

Information technology and digitalisation have brought about quite a change to China's banking sector, with non-stop growth in the proportion of total investments made by banks in relevant fields to their total revenue. However, to relieve stress from higher revenues and profit growth and meet the cost-saving requirements of business operations, banks must tackle pressing issues, such as how to improve digitalisation efficiency and make sound fintech investments, so as to strike a balance between being highly innovative and achieving more returns on investment.

Defining the new baseline for development: Properly tune the future asset-liability structure and define the baseline for the business transformation strategy

01 Organic growth: Fostering professional capabilities at banks head offices to create new drivers for growth

- The current economic complexity has exposed the banking sector to various challenges such as declining revenue and narrowing net spreads. To cope with these challenges, banks need to strengthen the functions of their head offices, enhance their professional capacities, and cultivate their competitive edge via deepened market research, optimised risk management, enhanced talent training, and digital transformation. Meanwhile, banks need to change their business philosophy and optimise their performance appraisal system to promote business innovation and long-term development.

02 New patterns of asset and liability management: Challenges and capacity enhancement under the new landscape

- Under the pressure of interest rate liberalisation and a slowdown in economic growth, commercial banks are faced with challenges in terms of asset and liability management, including rising interest rates and liquidity risk, a mismatch between asset growth and income, loan structure adjustments, a higher preference for fixed deposits, and declining capital adequacy ratios. Against such a backdrop, banks need to optimise their asset-liability structure, strengthen risk management, and accelerate digital transformation, so as to improve management efficiency and effectiveness and ensure stable operations.

Adopting a customer-focused approach: Develop strategies for targeted and long-term relationships with core customers

03 Strategic deployment: Innovative practices of banks implementing the "five priorities"

- The "five priorities" are promising areas for China's banking sector to pursue high-quality development. To cope with challenges in these five areas, banks need to reshape their value perspectives, shifting focus from the scale, revenue and profit of a single business towards integrated service capabilities, broadening business boundaries, and to fostering long-term relationships with customers for greater time value. In addition, banks should explore their strategic priorities and form a value-based expansion methodology to create commercial value while achieving certain policy missions.

04 In-depth efforts in inclusive finance: Agribusinesses support from commercial banks to promote rural revitalisation

- Agribusinesses are currently struggling with limited access to funds and from authoritative policy interpretation, narrow market channels, and insufficient technology application. To guide agricultural modernisation, commercial banks need to provide agribusinesses with an in-depth interpretation of policies, in terms of organisational coordination, industry focus, technology empowerment, etc. In addition, commercial banks need to optimise business scenarios to satisfy the needs of agribusinesses, promote the technological level and capabilities of agribusinesses to align with the market via technological means (such as apps and online and offline training), while strengthening offline services to form an integrated online and offline service system, in order to promote the rural revitalisation strategy in a comprehensive manner.

05 Endowment empowerment: Enabling the growth of elderly care enterprises through commercial banking support

- This report discusses the current status and future development trends of China's elderly care industry and pension-related finance, from the perspective of how commercial banks can empower the development of the elderly care industry. We also interpret China's national pension policies, analyse the diversified urban and rural pension patterns, and hold a thorough discussion on the key roles played by commercial banks in supporting elderly care enterprises and meeting individuals' pension-related financial needs. With a strategy of innovative financial services that cover all scenarios, commercial banks can provide stable financial support for the development of the elderly care industry and enhance the three pillars for personal pension development, providing useful methods and directions for the sustainable development of peer banks in the elderly care industry.

06 Innovation-driven: Leveraging technology finance services to accelerate the development of innovative enterprises

- Technologically innovative enterprises face financing difficulties due to their light-asset models with high uncertainty, as the traditional credit pattern barely meets their needs. The investment-loan-linkage credit pattern showcases the key role of the business-driven and resource-integrated innovative financial service model in meeting the financial needs of technologically innovative enterprises. It is suggested that commercial banks build business-driven and resource-integrated financial service models to support their development throughout the full cycle, and understand the importance of innovation for technology finance as well as the necessity of building an open and collaborative ecosystem.

07 Regional focus: Development opportunities and challenges for commercial banks in the GBA under the “five priorities" for finance

- Under the guiding policies regarding the "five priorities" for finance, and relying on market demand in the GBA, commercial banks should establish technology branches and offer innovative financial products to strengthen their services for technological enterprises, facilitate their green transformation, promote inclusive finance and innovative pension finance products, and use digital technology to empower financial business, so as to improve service efficiency and quality. In addition, banks still need to solve problems related to standard unification, product innovation, risk assessment, and market pricing to achieve high-quality development of financial services and support the economic transformation and upgrading of the GBA.

Fostering professional management capabilities: Foster professional, refined and systematic business and risk management capabilities

08 Data security: Security challenges for important financial data and coping measures

- Since the implementation of the Data Security Law, financial institutions have faced challenges such as unclear definitions and unspecified security control requirements regarding important data protection. The financial industry shall clarify the definition of important data, establish management processes, enhance characteristic controls, and strengthen the implementation of data security strategies through technical means and data governance tools. Meanwhile, it is suggested that financial institutions conduct annual risk assessments to ensure the safety management of data processing activities and conduct safety assessments before cross-border data transfers.

09 Intelligent risk control: Providing strong support for the high-quality development of financial market business

- In response to macroeconomic pressure and narrowing spreads in credit business, banks are increasingly relying on financial market business, which raises the significance of risk management. Based on our analysis of the business data of 60 domestic commercial banks, banks can use intelligent risk control solutions that include measures such as prevention and control of transaction risks, refined analysis of profit and loss, and portfolio management and attribution analysis to help manage the risks of financial market business in a more digitalised and intelligent way. With these solutions, banks will be able to better understand the relationship between financial business and the market, enhance decision making support for risk and business management, and ultimately promote the sound development of financial market business.

10 Proactive compliance: Actively responding to regulatory changes and enhancing compliance competitiveness

- The establishment of the NFRA and greater regulatory scrutiny are presenting challenges for banks' compliance risk management. Regulators have also continually improved regulatory tools and promoted digital regulation, which requires banks to conduct more refined and effective compliance management. To respond to changes in the regulatory environment, commercial banks need to re-examine their compliance structures and set up issue management mechanisms. They also need to improve the effectiveness of deficiency rectification, and explore digital and intelligent compliance management. In doing so, banks will be able to adapt to regulatory requirements, reduce compliance risks and enhance compliance competitiveness.

11 Going global: Responding to challenges in overseas regulatory compliance to achieve steady and sustainable development

- Due to the tighter international regulatory environment and changes in the global economy, Chinese banks are facing more offshore compliance costs and management difficulties. Furthermore, banks have to deal with uncertainties caused by compliance risks, increasingly innovative regulatory tools and techniques, a wide range of regulatory topics, and changes in the topics’ urgency and importance. In this context, commercial banks need to optimise compliance management and ensure optimal allocation of resources based on their different markets and business characteristics in order to cope with multi-level compliance requirements. We recommend that banks benchmark against international standards, strive to accumulate experience in their globalisation process, and comprehensively assess compliance risks and formulate management plans when setting up new branches. In this way, banks can provide steady support for Chinese enterprises that are going global.

12 Disposal optimisation: Trends and strategies in NPL disposal, risk resolution, restructuring and reorganisation

- In 2023, the banking industry disposed of RMB 3 trillion in NPLs. The NPL recovery rate, while generally stable, is still declining. This article reviews the restructuring and reorganisation market, analyses the pros and cons of out-of-court restructuring and in-court reorganisation based on case studies, and highlights the need for banks to choose their disposal strategies prudently according to NPL characteristics and market trends. Banks should actively participate in enterprises’ restructuring and reorganisation plans so as to secure a favourable position and ensure that restructuring will bring stable, long-term returns.

13 Tax synergy: Inclusive finance and NPL optimisation

- Tax optimisation for inclusive finance includes making full use of tax incentives, avoiding misunderstandings of policies and improving tax management capabilities. Meanwhile, tax management of NPLs focuses on the front-end management of pre-tax deduction of corporate income tax, as well as tax planning for doubtful debt recovery, debt restructuring and assignment of claims based on business characteristics. Through refined and forward-looking tax management, commercial banks are able to create long-term value and better integrate business, finance and tax.

Reducing costs and increasing efficiency: Adopt strategic cost-saving measures that create value

14 Financial transformation: Improving budget management systems to lower costs, raise efficiency and pursue high-quality development

- Faced with narrowing net interest margins and slowing profit growth, commercial banks are urgently trying to improve their comprehensive budget management systems to cut costs, enhance efficiency and achieve high-quality development. Banks that use leading practices tend to adopt strategy-oriented and integrated budget management that involves all staff. They implement strategies such as process optimisation, refinement of resource allocation, and in-depth integration of business and finance. All of these practices can promote more systematic and precise management, and ultimately help banks optimise their business structures, make better use of resources, control costs, enable risk warnings and support decision making.

15 Function optimisation: Applying management accounting

- Banks should apply management accounting and leverage its key role in various areas such as planning, control, decision-making and evaluation. Management accounting is also closely related to digital transformation and refined management, and can provide support for banks in areas such as strategy assessment, resource allocation, cost control and performance evaluation. Practical cases show that management accounting can enhance banks' operational efficiency and profitability. At the same time, digital transformation presents new application scenarios for management accounting, such as strategic value assessments and ESG value measurements, which can in turn effectively help banks achieve lean operations and create long-term value.

Becoming people-oriented: Cultivate a professional and efficient team that is willing to learn

16 Digital and intelligent: Evidence-based practices in human resource management

- As part of the digital transformation of human resources management in the banking sector, a digital and intelligent personnel performance system will empower banks to quantify employees' performance, conduct objective evaluations and support business decisions. Such a system will include functions such as setting up performance appraisal standards, providing data support for management decisions and supporting employees' efforts to fulfil their duties. It can also regulate employees' performance and behaviour, and improve employees' capabilities through employee evaluations, selections and trainings, with a view to promoting scientific and precise human resource management.

17 Value mining: Utilising refined management strategies to increase earnings of branches of joint-stock commercial banks

- To cope with the slowdown and squeezed profit margins in the banking industry, branches of joint-stock commercial banks urgently need to engage in refined management to tap the value of their existing customer base. Based on case studies, we recommend that banks fully leverage the value of their existing customers in three major areas: asset deployment, depth of customer relationships and customer engagement, and liability-related business. Meanwhile, banks can also enhance marketing efficiency and customer satisfaction by engaging in effective daily management, indicator management, digital support and capacity building. Refined management has been proven to significantly enhance performance in areas such as revenue, number of new accounts and derivative deposits, and help banks steadily optimise the quality and efficiency of customer management.

18 Talent engine: Cultivating the right mix of future-fit professionals

- Amid softer economic growth, using training to improve the quality and potential of human resources has become an important topic for the banking industry. Traditional training methods have many shortcomings, such as lack of real-world practice, lack of customisation and lack of practical use. To address these issues, banks can design training camps for younger staff based on three major design principles: practice, exposure and trainings. Specifically, training camps should focus on practice and efficient selection of talents; and they should take measures to clarify criteria, promote differentiation, combine training with practice, provide coaching, and use competition to encourage learning and boost the passion of younger staff. With these efforts, banks can spur comprehensive learning improvements and ensure that theoretical knowledge translates into behavioural changes in younger staff.

Embracing innovation: Actively engage in digitalisation and harness new technologies such as AI

19 Digital finance: Responding to the government's call to develop new quality productive forces

- Amid the emergence of new technologies and industrial upgrading, the banking industry is engaging in digital transformation to respond to the demand for high-quality development. At the same time, banks need to strike a balance between certain innovations and overall effectiveness, innovation resources and use efficiency, and innovation practices and risk prevention and control. Against this backdrop, digital investment should mostly focus on lowering costs and raising efficiency, strengthening the integration of business and technology, and enhancing agile management to help banks quickly respond to market changes and trends. We recommend that banks set aside special innovation funds, streamline processes and rapidly iterate "quick win" projects. In addition, banks should promote technological innovation and use based on the principles of safety and compliance, manage data throughout its life cycle, and prudently adopt cutting-edge technologies such as AI to build a digital banking system centred on "new quality productive forces." Through these efforts, banks can help promote the transformation and upgrading of the financial industry.

20 Technology frontier: Large data models and generative AI for banking innovation

- Large models and generative AI are gradually being integrated into the banking industry. By optimising business logic and innovating application scenarios, banks have accelerated business upgrading and reshaped value in their sector. Banks can apply large models in areas such as customer insights, product innovation, interactive marketing, risk management and internal operations to manage these areas in a more effective and intelligent way. Using these tools, banks can accurately identify customers, launch intelligent investment advisory services and products, pursue hyper-personalised marketing initiatives, and achieve automated risk warnings. In respect of large models and generative AI, the industry is currently shifting from experimental exploration to systematic application, while focusing on improving quality and efficiency, broadening service scenarios, and deepening the use of these tools. Banks are also attaching great importance to the integration of AI with front-office business and the AI-powered transformation of back-office management, with a view to cultivating banks of the future that are smarter and more efficient.

21 Data capitalisation: Paths for including enterprise data on the balance sheet

- The *Interim Provisions on Accounting Treatment Relating to Enterprises' Data Resources* require enterprises to standardise accounting treatments for data resources from 2024, while highlighting the importance of identification, measurement, disclosure and value management of such resources. Banks and other financial institutions are actively responding to this new regulation. They are using internal data to optimise business, sourcing external data to improve efficiency, and driving innovation in data products. However, during this process, companies are facing challenges such as lack of data strategies, and inadequate and incomplete organisational mechanisms. In particular, banks should put more weight on the comprehensive coverage of data resources to address deficiencies in strategy, organisation, processes and technical tools, so as to effectively operationalise data assets and transform their value.

22 System innovation: IT innovation in treasury management systems of the front, middle and back offices

- Due to issues such as obsolescence, backward technology, high costs and insufficient localisation in the treasury management systems currently relied on by front, middle and back offices in the financial market industry, banks urgently need to build a new generation of localised treasury management systems (i.e. IT application innovation) to meet needs related to big data, AI technology integration, and regulatory compliance. We recommend that banks actively take measures such as building model platforms, innovating middle office systems before innovating front and back offices, and adopting distributed computing frameworks to improve the technical strength and business capabilities of their financial market system.

23 Using technology to empower quality and efficiency: Intelligent upgrades to anti-money laundering measures

- Faced with strengthening anti-money laundering regulatory requirements, financial institutions are adopting intelligent models to cope with increasingly complex and concealed money laundering threats. Meanwhile, the limitations of traditional rule models have prompted banks to explore intelligent tools based on machine learning, automated technology and knowledge mapping to improve monitoring efficiency and accuracy. Intelligent models can dynamically identify suspicious transactions and optimise customer risk classification; automation can reduce manual errors; and knowledge mapping can reveal previously hidden networks or associations. However, due to implementation challenges in areas such as model risks and data governance, financial institutions need to adopt a comprehensive strategy to ensure that the models adopted are both advanced and compliant. In this way, they can implement more intelligent and efficient anti-money laundering measures.

03

Commercial banks' financial summary

			Total assets		Net assets attributable to the parent company		Total loans	
			Unit: Million		Unit: Million		Unit: Million	
	Name of bank	Currency	2023	2022	2023	2022	2023	2022
1	Industrial and Commercial Bank of China Co., Ltd.	RMB	44,697,079	39,610,146	3,756,887	3,496,109	26,142,934	23,263,900
2	Agricultural Bank of China Limited	RMB	39,872,989	33,925,488	2,889,248	2,668,063	22,614,621	19,763,827
3	China Construction Bank Corporation	RMB	38,324,826	34,600,711	3,150,145	2,855,450	23,861,600	21,197,130
4	Bank of China Limited	RMB	32,432,166	28,893,548	2,629,510	2,423,973	19,961,779	17,552,761
5	Postal Savings Bank of China Co., Ltd.	RMB	15,726,631	14,067,282	954,873	824,225	8,148,893	7,210,433
6	Bank of Communications Co., Ltd.	RMB	14,060,472	12,991,571	1,088,030	1,022,024	7,978,465	7,313,540
7	China Merchants Bank Co., Ltd.	RMB	11,028,483	10,138,912	1,076,370	945,503	6,520,375	6,062,913
8	Industrial Bank Co., Ltd.	RMB	10,158,326	9,266,671	796,224	746,187	5,476,047	4,995,962
9	China CITIC Bank Corporation Limited	RMB	9,052,484	8,547,543	717,222	665,418	5,518,292	5,169,952
10	Shanghai Pudong Development Bank Co., Ltd.	RMB	9,007,247	8,704,651	724,749	697,872	5,034,116	4,916,971
11	China Minsheng Banking Corp., Ltd.	RMB	7,674,965	7,255,673	624,602	599,928	4,420,701	4,170,621
12	China Everbright Bank Company Limited	RMB	6,772,796	6,300,510	552,391	507,883	3,798,296	3,582,531
13	Ping An Bank Co., Ltd.	RMB	5,587,116	5,321,514	472,328	434,680	3,417,463	3,340,177
14	Hua Xia Bank Co., Ltd.	RMB	4,254,766	3,900,167	318,579	320,457	2,318,183	2,281,352
15	Bank of Beijing Co., Ltd.	RMB	3,748,679	3,387,952	326,915	308,473	2,020,815	1,801,961
16	China Guangfa Bank Co., Ltd.	RMB	3,509,522	3,417,904	276,984	261,849	2,073,206	2,056,093
17	Bank of Jiangsu Co., Ltd.	RMB	3,403,362	2,980,295	250,410	208,633	1,809,145	1,610,853
18	China Zheshang Bank Co., Ltd.	RMB	3,143,879	2,621,930	186,245	162,933	1,716,240	1,525,030
19	Bank of Shanghai Co., Ltd.	RMB	3,085,516	2,878,525	238,579	221,054	1,382,262	1,308,441
20	Bank of Ningbo Co., Ltd.	RMB	2,711,662	2,366,097	201,195	167,626	1,256,792	1,049,541
21	Bank of Nanjing Co., Ltd.	RMB	2,288,276	2,059,484	169,561	156,256	1,101,698	947,969
22	Bank of Hangzhou Co., Ltd.	RMB	1,841,331	1,616,538	111,293	98,573	808,287	703,290
23	Huishang Bank Corporation Limited	RMB	1,806,144	1,580,236	142,983	119,608	875,951	766,178
24	China Bohai Bank Co., Ltd.	RMB	1,732,734	1,659,460	114,403	109,951	944,995	966,555
25	Chongqing Rural Commercial Bank Co., Ltd.	RMB	1,441,082	1,351,861	121,734	113,283	676,711	632,677
26	Hengfeng Bank Co., Ltd.	RMB	1,439,705	1,331,595	132,056	126,778	814,688	713,921
27	Shanghai Rural Commercial Bank Co., Ltd.	RMB	1,392,214	1,281,399	112,427	101,834	712,714	671,876
28	Zhongyuan Bank Co., Ltd.	RMB	1,346,446	1,326,736	92,505	89,228	711,680	687,563
29	Guangzhou Rural Commercial Bank Co., Ltd.	RMB	1,314,042	1,233,454	88,826	81,079	731,318	691,972
30	Beijing Rural Commercial Bank Co., Ltd.	RMB	1,239,131	1,119,458	81,947	75,631	449,063	419,501
31	Xiamen International Bank Co., Ltd.	RMB	1,120,420	1,088,115	71,923	69,751	632,573	618,826
32	Bank of Chengdu Co., Ltd.	RMB	1,091,243	917,650	71,235	61,343	625,742	487,827
33	Shengjing Bank Co., Ltd.	RMB	1,080,053	1,082,413	79,330	80,774	516,569	657,975
34	Bank of Changsha Co., Ltd.	RMB	1,020,033	904,733	66,109	60,243	491,489	427,920
35	Bank of Tianjin Co., Ltd.	RMB	840,771	761,083	64,189	59,785	407,451	347,429
36	Chengdu Rural Commercial Bank Co., Ltd.	RMB	833,272	721,286	64,816	52,276	425,687	368,539
37	Bank of Guangzhou Co., Ltd.	RMB	831,727	793,932	55,389	52,914	466,824	449,935
38	Harbin Bank Co., Ltd.	RMB	813,329	712,733	61,604	61,174	326,715	286,705
39	Bank of Chongqing Co., Ltd.	RMB	759,884	684,713	56,918	49,337	392,935	352,573
40	Shenzhen Rural Commercial Bank Co., Ltd.	RMB	742,289	671,286	56,023	51,708	387,526	355,306

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net interest income		Net fee income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
33,521,174	29,870,491	843,070	875,734	655,013	691,985	119,357	129,325	363,993	361,132	26.96%	26.05%
28,898,468	25,121,040	694,828	694,652	571,750	589,883	80,093	81,282	269,356	259,232	33.86%	32.81%
27,654,011	25,020,807	769,736	783,760	617,233	643,669	115,746	116,085	332,653	324,727	28.20%	27.83%
22,907,050	20,201,825	622,889	585,367	466,545	459,266	78,865	74,890	231,904	226,522	28.50%	28.92%
13,955,963	12,714,485	342,507	334,956	281,803	273,593	28,252	28,434	86,270	85,224	64.82%	61.41%
8,551,215	7,949,072	257,595	256,796	164,123	169,882	43,004	44,855	92,728	92,102	30.04%	29.65%
8,240,498	7,590,579	339,123	344,783	214,669	218,235	84,108	94,275	146,602	138,012	32.96%	32.88%
5,217,064	4,788,754	210,831	222,374	146,503	145,273	27,755	45,041	77,116	91,377	29.97%	29.37%
5,467,657	5,157,864	205,896	211,392	143,539	150,647	32,383	37,092	67,016	62,103	32.35%	30.53%
5,060,344	4,893,812	173,434	188,622	118,435	133,669	24,453	28,691	36,702	51,171	29.65%	27.89%
4,353,281	4,051,592	140,817	142,476	102,431	107,463	19,236	20,274	35,823	35,269	36.10%	35.61%
4,094,528	3,917,168	145,685	151,632	107,480	113,655	23,698	26,744	40,792	44,807	28.17%	27.88%
3,458,287	3,352,266	164,699	179,895	117,991	130,130	29,430	30,208	46,455	45,516	27.90%	27.45%
2,165,881	2,094,669	93,207	93,808	70,442	74,293	6,402	10,369	26,363	25,035	31.37%	30.13%
2,101,031	1,945,020	66,711	66,276	50,350	51,458	3,752	7,066	25,624	24,760	28.88%	26.55%
2,181,525	2,169,898	69,678	75,154	51,069	55,827	11,855	12,380	16,019	15,528	38.90%	35.28%
1,914,948	1,658,678	74,293	70,570	52,645	52,264	4,276	6,252	28,750	25,386	23.99%	24.52%
1,868,659	1,681,443	63,704	61,085	47,528	47,062	5,040	4,791	15,048	13,618	29.96%	27.46%
1,671,385	1,598,876	50,564	53,112	35,164	38,000	4,915	6,493	22,545	22,280	24.61%	23.02%
1,588,536	1,310,305	61,585	57,879	40,907	37,521	5,767	7,466	25,535	23,075	38.99%	37.29%
1,396,366	1,261,132	45,160	44,606	25,452	26,970	3,629	5,344	18,502	18,408	30.47%	29.75%
1,058,308	937,898	35,016	32,932	23,433	22,857	4,043	4,674	14,383	11,679	29.40%	29.64%
1,042,315	912,776	36,365	36,230	28,720	28,705	2,805	4,180	14,433	13,398	28.05%	26.15%
934,594	863,934	24,997	26,465	17,646	22,669	3,999	2,569	5,081	6,107	40.51%	39.24%
896,202	824,947	27,956	28,991	23,493	25,404	1,791	1,913	10,902	10,276	33.94%	31.84%
787,793	714,247	25,275	25,120	20,275	19,629	2,227	2,487	5,146	6,748	36.22%	35.84%
1,037,738	961,370	26,414	25,627	20,700	20,754	2,268	2,156	12,142	10,974	32.67%	30.50%
859,784	845,257	26,183	25,611	22,263	21,276	1,319	1,783	3,221	3,650	40.07%	39.05%
947,186	910,485	18,154	22,545	16,583	18,582	847	1,382	2,634	3,492	36.08%	31.37%
830,980	784,041	15,296	15,261	11,657	12,256	967	877	7,917	7,906	39.08%	39.25%
726,614	700,709	12,513	17,128	7,715	12,731	1,327	1,409	879	4,721	46.71%	34.72%
780,421	654,652	21,702	20,241	17,654	16,519	662	677	11,671	10,042	25.09%	24.39%
779,967	788,752	10,040	16,153	8,866	12,854	147	264	732	980	56.41%	33.80%
670,858	589,413	24,803	22,868	20,028	17,967	1,532	1,319	7,463	6,811	27.95%	28.30%
450,686	397,765	16,456	15,759	11,420	11,473	1,570	1,686	3,760	3,565	27.68%	26.92%
608,803	526,775	17,333	15,530	14,200	13,252	620	507	5,794	5,167	33.59%	28.91%
449,980	454,216	16,003	17,153	11,793	13,386	1,232	1,289	3,017	3,339	27.00%	24.70%
656,989	565,587	13,242	12,871	9,549	9,007	645	732	740	555	42.01%	39.41%
414,813	382,594	13,211	13,465	10,447	10,808	411	761	4,930	4,868	27.23%	25.25%
581,831	531,161	14,564	13,745	12,673	11,291	185	234	6,131	5,931	33.57%	33.01%

			Return on average equity		Net interest spread		Net interest margin	
			% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
	Name of bank	Currency	2023	2022	2023	2022	2023	2022
1	Industrial and Commercial Bank of China Co., Ltd.	RMB	10.66%	11.45%	1.41%	1.72%	1.61%	1.92%
2	Agricultural Bank of China Limited	RMB	10.91%	11.29%	1.45%	1.73%	1.60%	1.90%
3	China Construction Bank Corporation	RMB	11.56%	12.30%	1.50%	1.81%	1.70%	2.01%
4	Bank of China Limited	RMB	10.12%	10.77%	1.40%	1.61%	1.59%	1.75%
5	Postal Savings Bank of China Co., Ltd.	RMB	10.85%	11.89%	1.99%	2.18%	2.01%	2.20%
6	Bank of Communications Co., Ltd.	RMB	9.68%	10.34%	1.14%	1.37%	1.28%	1.48%
7	China Merchants Bank Co., Ltd.	RMB	16.22%	17.06%	2.03%	2.28%	2.15%	2.40%
8	Industrial Bank Co., Ltd.	RMB	10.64%	13.85%	1.66%	1.83%	1.93%	2.10%
9	China CITIC Bank Corporation Limited	RMB	10.80%	10.80%	1.75%	1.92%	1.78%	1.97%
10	Shanghai Pudong Development Bank Co., Ltd.	RMB	5.21%	7.98%	1.49%	1.72%	1.52%	1.77%
11	China Minsheng Banking Corp., Ltd.	RMB	6.10%	6.31%	1.37%	1.51%	1.46%	1.60%
12	China Everbright Bank Company Limited	RMB	8.38%	10.27%	1.68%	1.93%	1.74%	2.01%
13	Ping An Bank Co., Ltd.	RMB	11.38%	12.36%	2.31%	2.67%	2.38%	2.75%
14	Hua Xia Bank Co., Ltd.	RMB	8.71%	9.00%	1.77%	2.07%	1.82%	2.10%
15	Bank of Beijing Co., Ltd.	RMB	9.32%	9.60%	1.53%	1.71%	1.54%	1.76%
16	China Guangfa Bank Co., Ltd.	RMB	6.24%	6.40%	1.46%	1.68%	1.60%	1.81%
17	Bank of Jiangsu Co., Ltd.	RMB	14.52%	14.79%	1.95%	2.11%	1.98%	2.32%
18	China Zheshang Bank Co., Ltd.	RMB	9.45%	9.01%	1.81%	2.02%	2.01%	2.21%
19	Bank of Shanghai Co., Ltd.	RMB	10.36%	11.00%	1.41%	1.57%	1.34%	1.54%
20	Bank of Ningbo Co., Ltd.	RMB	15.08%	15.56%	2.01%	2.20%	1.88%	2.02%
21	Bank of Nanjing Co., Ltd.	RMB	13.12%	15.12%	1.73%	1.93%	2.04%	2.19%
22	Bank of Hangzhou Co., Ltd.	RMB	15.57%	14.09%	1.59%	1.74%	1.50%	1.69%
23	Huishang Bank Corporation Limited	RMB	12.52%	12.77%	1.65%	1.88%	1.88%	2.11%
24	China Bohai Bank Co., Ltd.	RMB	4.48%	5.81%	1.19%	1.45%	1.14%	1.50%
25	Chongqing Rural Commercial Bank Co., Ltd.	RMB	9.58%	9.76%	1.64%	1.84%	1.73%	1.97%
26	Hengfeng Bank Co., Ltd.	RMB	3.73%	5.81%	1.51%	1.63%	1.59%	1.68%
27	Shanghai Rural Commercial Bank Co., Ltd.	RMB	11.34%	11.22%	1.61%	1.75%	1.67%	1.83%
28	Zhongyuan Bank Co., Ltd.	RMB	3.11%	4.35%	1.56%	1.89%	1.73%	2.06%
29	Guangzhou Rural Commercial Bank Co., Ltd.	RMB	3.17%	4.40%	1.33%	1.71%	1.39%	1.69%
30	Beijing Rural Commercial Bank Co., Ltd.	RMB	10.05%	10.82%	0.89%	1.02%	1.00%	1.13%
31	Xiamen International Bank Co., Ltd.	RMB	1.13%	7.11%	0.53%	1.10%	0.72%	1.26%
32	Bank of Chengdu Co., Ltd.	RMB	18.78%	19.48%	1.73%	2.00%	1.81%	2.04%
33	Shengjing Bank Co., Ltd.	RMB	0.95%	1.26%	1.14%	1.40%	0.96%	1.34%
34	Bank of Changsha Co., Ltd.	RMB	12.50%	12.57%	2.43%	2.52%	2.31%	2.41%
35	Bank of Tianjin Co., Ltd.	RMB	6.00%	6.03%	1.75%	1.73%	1.65%	1.70%
36	Chengdu Rural Commercial Bank Co., Ltd.	RMB	10.41%	10.07%	1.81%	1.90%	1.88%	2.02%
37	Bank of Guangzhou Co., Ltd.	RMB	5.77%	6.70%	1.97%	2.27%	1.75%	2.11%
38	Harbin Bank Co., Ltd.	RMB	0.35%	0.04%	1.56%	1.58%	1.43%	1.55%
39	Bank of Chongqing Co., Ltd.	RMB	10.14%	10.20%	1.39%	1.59%	1.52%	1.74%
40	Shenzhen Rural Commercial Bank Co., Ltd.	RMB	11.76%	12.41%	1.81%	1.99%	1.92%	2.02%

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: “Total loans” was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then “total loans” was calculated based on the loan amounts reported in the balance sheet.
Note 2: “Total deposits” was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
1.36%	1.38%	2.90%	2.90%	213.97%	209.47%	19.10%	19.26%	15.17%	15.64%	13.72%	14.04%
1.33%	1.37%	4.05%	4.16%	303.87%	302.60%	17.14%	17.20%	12.87%	13.37%	10.72%	11.15%
1.37%	1.38%	3.28%	3.34%	239.85%	241.53%	17.95%	18.42%	14.04%	14.40%	13.15%	13.69%
1.27%	1.32%	2.44%	2.50%	191.66%	188.73%	17.74%	17.52%	13.83%	14.11%	11.63%	11.84%
0.83%	0.84%	2.88%	3.26%	347.57%	385.51%	14.23%	13.82%	11.61%	11.29%	9.53%	9.36%
1.33%	1.35%	2.59%	2.44%	195.21%	180.68%	15.27%	14.97%	12.22%	12.18%	10.23%	10.06%
0.95%	0.96%	4.14%	4.32%	437.70%	450.79%	17.88%	17.77%	16.01%	15.75%	13.73%	13.68%
1.07%	1.09%	2.63%	2.59%	245.21%	236.44%	14.13%	14.44%	10.93%	11.08%	9.76%	9.81%
1.18%	1.27%	2.45%	2.55%	207.59%	201.19%	12.93%	13.18%	10.75%	10.63%	8.99%	8.74%
1.48%	1.52%	2.57%	2.42%	173.51%	159.04%	12.67%	13.65%	10.63%	10.98%	8.97%	9.19%
1.48%	1.68%	2.22%	2.39%	149.69%	142.49%	13.14%	13.14%	10.95%	10.91%	9.28%	9.17%
1.25%	1.25%	2.27%	2.35%	181.27%	187.93%	13.50%	12.95%	11.36%	11.01%	9.18%	8.72%
1.06%	1.05%	2.94%	3.04%	277.63%	290.28%	13.43%	13.01%	10.90%	10.40%	9.22%	8.64%
1.67%	1.75%	2.67%	2.80%	160.06%	159.88%	12.23%	13.27%	10.48%	11.36%	9.16%	9.24%
1.32%	1.43%	2.86%	3.00%	216.78%	210.04%	13.37%	14.04%	12.18%	12.86%	9.21%	9.54%
1.58%	1.64%	2.54%	2.72%	160.91%	165.83%	13.05%	12.96%	10.91%	10.66%	9.11%	8.81%
0.91%	0.94%	3.45%	3.50%	378.13%	371.66%	13.31%	13.07%	11.25%	10.87%	9.46%	8.79%
1.44%	1.47%	2.63%	2.67%	182.60%	182.19%	12.19%	11.60%	9.52%	9.54%	8.22%	8.05%
1.21%	1.25%	3.29%	3.64%	272.66%	291.61%	13.38%	13.16%	10.42%	10.09%	9.53%	9.14%
0.76%	0.75%	3.50%	3.79%	461.04%	504.90%	15.01%	15.18%	11.01%	10.71%	9.64%	9.75%
0.90%	0.90%	3.23%	3.57%	360.58%	397.20%	13.53%	14.31%	11.40%	12.04%	9.39%	9.73%
0.76%	0.77%	4.25%	4.36%	561.42%	565.10%	12.51%	12.89%	9.64%	9.77%	8.16%	8.08%
1.26%	1.49%	3.43%	4.11%	271.94%	276.57%	13.21%	12.02%	10.82%	9.53%	9.14%	8.60%
1.78%	1.76%	2.79%	2.65%	156.94%	150.95%	11.58%	11.50%	10.01%	9.94%	8.17%	8.06%
1.19%	1.22%	4.37%	4.36%	366.70%	357.74%	15.99%	15.62%	14.24%	13.84%	13.53%	13.10%
1.72%	1.81%	2.61%	2.76%	152.24%	152.46%	11.92%	11.99%	11.27%	11.34%	8.62%	8.43%
0.97%	0.94%	3.94%	4.21%	404.98%	445.32%	15.74%	15.46%	13.35%	12.99%	13.32%	12.96%
2.04%	1.93%	3.15%	3.03%	154.06%	157.08%	11.64%	11.83%	10.44%	9.47%	8.10%	7.98%
1.87%	2.11%	3.07%	3.31%	164.63%	156.93%	13.67%	12.59%	11.12%	10.56%	9.83%	9.21%
1.12%	1.06%	3.09%	3.31%	275.32%	310.97%	14.04%	15.68%	11.45%	12.94%	11.45%	12.94%
1.96%	1.26%	2.26%	2.08%	116.18%	168.42%	12.78%	11.69%	10.10%	10.35%	8.83%	9.03%
0.68%	0.78%	3.42%	3.89%	504.29%	501.57%	12.89%	13.15%	8.98%	9.39%	8.22%	8.47%
2.68%	3.22%	4.27%	4.52%	159.50%	140.30%	14.12%	11.52%	12.43%	9.86%	10.42%	9.86%
1.15%	1.16%	3.60%	3.61%	314.21%	311.09%	13.04%	13.41%	10.57%	10.80%	9.59%	9.70%
1.70%	1.84%	2.85%	2.93%	167.86%	159.27%	12.64%	12.80%	10.83%	10.39%	9.80%	10.38%
1.20%	1.48%	4.25%	4.22%	354.37%	285.37%	14.65%	13.98%	11.64%	10.72%	10.17%	10.72%
2.05%	2.16%	3.26%	3.35%	160.08%	155.32%	13.96%	14.00%	10.13%	10.09%	9.21%	9.13%
2.87%	2.89%	5.66%	5.25%	197.38%	181.54%	13.71%	11.91%	12.48%	10.69%	8.69%	8.64%
1.34%	1.38%	3.13%	2.91%	234.18%	211.19%	13.37%	12.72%	11.16%	10.50%	9.78%	9.52%
0.99%	0.90%	2.88%	2.87%	290.29%	318.50%	15.11%	15.31%	13.21%	13.35%	12.56%	12.65%

	Name of bank	Currency	Total assets (Unit: Million)		Net assets attributable to the parent company (Unit: Million)		Total loans (Unit: Million)	
			2023	2022	2023	2022	2023	2022
41	Dongguan Rural Commercial Bank Co., Ltd.	RMB	708,854	657,690	54,649	51,128	355,804	332,668
42	Bank of Guiyang Co., Ltd.	RMB	688,068	645,998	61,521	56,667	325,108	286,232
43	Bank of Jilin Co., Ltd.	RMB	668,373	561,410	45,431	39,642	432,573	387,155
44	Bank of Zhengzhou Co., Ltd.	RMB	630,709	591,514	52,453	50,773	362,135	332,516
45	Bank of Dongguan Co., Ltd.	RMB	628,925	538,419	40,486	34,755	328,388	291,087
46	HSBC Bank (China) Company Limited	RMB	616,683	596,845	60,601	58,171	231,075	249,043
47	Bank of Qingdao Co., Ltd.	RMB	607,985	529,614	39,064	35,816	300,848	269,628
48	Qilu Bank Co., Ltd.	RMB	604,816	506,013	41,554	35,302	300,880	257,906
49	Bank of Suzhou Co., Ltd.	RMB	601,841	524,549	45,480	38,529	293,837	251,052
50	Bank of Guizhou Co., Ltd.	RMB	576,786	533,781	44,918	41,471	332,629	294,917
51	Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.	RMB	553,586	510,997	43,254	39,553	346,494	307,130
52	Jiangxi Bank Co., Ltd.	RMB	552,345	515,573	46,777	46,048	337,891	312,297
53	Guilin Bank Co., Ltd.	RMB	542,640	497,108	37,987	36,398	327,718	290,427
54	WeBank Co., Ltd.	RMB	535,579	473,862	46,221	36,414	418,585	340,809
55	Hankou Bank Co., Ltd.	RMB	534,771	507,397	31,848	30,896	322,653	287,685
56	Bank of Hebei Co., Ltd.	RMB	531,736	489,212	44,809	43,786	311,249	293,139
57	Bank of Jiujiang Co., Ltd.	RMB	503,849	479,704	40,156	35,628	303,090	280,297
58	Bank of Hunan Co., Ltd.	RMB	503,116	448,723	37,595	34,893	285,010	260,698
59	Chang'An Bank Co., Ltd.	RMB	502,283	437,053	29,928	28,318	296,261	259,556
60	Hangzhou United Rural Commercial Bank Co., Ltd.	RMB	502,084	415,630	36,079	30,106	319,296	273,092
61	Bank of Wenzhou Co., Ltd.	RMB	500,386	409,871	28,699	20,729	283,076	220,760
62	Bank of Dalian Co., Ltd.	RMB	488,258	472,053	36,757	30,814	263,477	254,630
63	Guangxi Beibu Gulf Bank Co., Ltd.	RMB	471,128	416,491	34,615	26,385	255,280	229,284
64	Qingdao Rural Commercial Bank Co., Ltd.	RMB	467,937	434,791	38,110	35,574	256,334	240,861
65	Guangdong Shunde Rural Commercial Bank Co., Ltd.	RMB	467,879	443,276	37,030	32,927	246,388	228,983
66	Hubei Bank Co., Ltd.	RMB	460,849	403,545	34,164	29,384	261,780	218,329
67	Bank of Lanzhou Co., Ltd.	RMB	453,411	435,943	32,957	31,608	246,428	227,682
68	Zhejiang E-Commerce Bank Co., Ltd.	RMB	452,130	441,089	25,769	21,497	276,059	232,246
69	Shaanxi Qingnong Rural Commercial Bank Co.,ltd.	RMB	444,119	406,213	18,767	17,363	220,456	216,911
70	Guangdong Huaxing Bank Co., Ltd.	RMB	438,209	410,435	27,528	24,537	230,293	211,292
71	Bank of Xi'an Co., Ltd.	RMB	432,201	405,839	30,861	29,186	203,386	190,139
72	Bank of Kunlun Co., Ltd.	RMB	430,420	387,324	38,767	37,051	220,353	198,310
73	Tianjin Rural Commercial Bank Co., Ltd.	RMB	428,724	407,177	34,799	32,648	215,892	194,561
74	Zhejiang Tailong Commercial Bank Co., Ltd.	RMB	418,383	376,953	31,589	27,303	268,777	240,584
75	Bank of Taizhou Co., Ltd.	RMB	401,496	371,855	30,813	27,412	235,821	215,725
76	Weihai City Commercial Bank Co., Ltd.	RMB	391,877	343,703	22,141	20,048	191,577	165,388
77	Xiamen Bank Co., Ltd.	RMB	390,664	371,208	29,874	24,192	210,098	200,790
78	China Resources Bank of Zhuhai Co., Ltd.	RMB	388,881	317,918	32,113	30,865	213,184	175,522
79	Bank of Gansu Co., Ltd.	RMB	388,589	377,202	33,138	32,559	222,872	214,272
80	Fudian Bank Co., Ltd.	RMB	374,574	345,696	24,710	23,619	214,372	198,845

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net interest income		Net fee income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
495,744	465,689	13,260	13,236	10,572	10,933	713	686	5,161	5,932	35.30%	34.78%
409,531	393,013	15,096	15,643	13,576	13,831	281	414	5,562	6,107	26.97%	26.80%
505,244	436,761	12,463	9,926	10,320	8,814	836	1,022	2,054	1,760	45.05%	43.83%
366,522	341,798	13,667	15,101	11,740	12,254	579	791	1,850	2,422	27.11%	22.99%
427,006	369,588	10,587	10,279	8,333	7,775	837	890	4,067	3,834	36.03%	35.22%
337,986	322,664	15,847	14,937	8,655	8,699	2,530	2,305	5,102	6,037	49.40%	49.00%
395,467	348,043	12,472	11,644	9,282	8,288	1,587	1,445	3,549	3,083	34.96%	34.97%
408,106	357,426	11,952	11,064	8,877	8,575	1,119	1,235	4,234	3,587	26.42%	26.46%
372,432	323,585	11,866	11,763	8,483	8,341	1,239	1,317	4,601	3,918	36.46%	33.33%
356,246	326,324	11,345	11,990	8,750	10,094	338	363	3,653	3,829	33.50%	30.68%
409,651	368,747	12,647	12,532	9,474	9,863	616	751	3,736	3,314	34.42%	29.15%
381,212	352,711	11,297	12,714	8,771	9,624	522	642	1,036	1,550	30.60%	27.50%
384,655	346,959	11,493	10,295	10,503	8,710	(467)	40	2,129	1,624	39.75%	40.30%
375,528	356,911	39,361	35,364	30,162	24,970	8,030	9,284	10,815	8,937	23.22%	30.62%
376,245	352,016	8,567	8,444	6,829	6,901	260	496	1,412	1,262	34.55%	32.60%
397,797	372,531	11,219	10,429	9,458	8,706	52	96	2,477	2,424	30.32%	30.28%
370,733	377,340	10,358	10,870	8,289	8,594	972	842	724	1,615	31.56%	28.91%
306,097	267,245	11,400	10,929	8,863	9,282	526	618	3,314	3,087	29.74%	28.23%
406,405	351,083	9,779	8,806	9,246	8,778	(268)	(329)	2,319	2,123	34.95%	34.64%
367,447	315,361	11,190	10,699	8,785	9,285	123	202	4,353	3,470	29.01%	28.24%
365,582	298,945	7,312	5,710	5,679	4,348	232	363	1,746	918	37.87%	39.02%
328,861	310,452	4,765	5,775	3,022	3,873	507	738	610	651	51.35%	42.99%
306,794	271,476	9,838	8,544	6,876	6,329	353	269	2,910	2,522	30.22%	31.91%
305,539	286,320	10,325	9,944	7,356	7,839	596	459	2,568	2,317	31.70%	30.34%
325,124	306,587	8,386	9,098	6,840	7,452	337	343	3,460	3,459	33.10%	29.24%
343,493	301,562	9,721	8,937	7,693	7,654	243	280	2,468	2,156	28.45%	28.78%
337,347	323,070	8,016	7,450	5,936	5,888	268	365	1,864	1,733	30.42%	31.24%
297,467	258,432	18,743	15,686	15,082	11,124	3,047	3,874	4,203	3,538	22.09%	20.80%
343,574	301,277	7,204	6,366	5,355	4,871	81	238	1,855	1,861	39.70%	44.49%
307,874	296,881	8,409	8,899	5,842	6,343	528	714	3,020	3,312	34.90%	31.14%
302,558	287,676	7,205	6,568	5,308	5,508	277	407	2,462	2,424	27.45%	28.92%
259,728	242,793	7,761	6,744	7,630	7,078	(1,131)	(1,513)	2,534	2,755	34.29%	36.67%
318,584	286,576	9,059	8,901	7,149	6,642	597	750	2,779	2,600	32.31%	31.57%
315,675	274,990	16,211	14,834	14,246	12,731	530	432	5,034	4,228	46.24%	46.32%
312,040	289,576	12,552	11,220	11,061	10,333	267	(2)	4,567	3,991	42.63%	43.14%
273,979	234,487	8,735	8,291	6,624	6,451	633	677	1,934	1,906	21.31%	21.80%
210,902	207,015	5,603	5,895	4,326	4,790	414	432	2,664	2,506	39.65%	34.30%
256,066	219,273	6,800	6,523	4,791	4,796	450	397	1,396	1,995	36.37%	37.68%
295,556	279,039	6,665	6,527	5,435	5,068	380	400	645	601	34.29%	34.26%
257,216	230,400	6,552	5,974	5,911	5,172	(52)	81	828	742	39.43%	39.85%

			Return on average equity		Net interest spread		Net interest margin	
			% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
	Name of bank	Currency	2023	2022	2023	2022	2023	2022
41	Dongguan Rural Commercial Bank Co., Ltd.	RMB	9.61%	11.72%	1.62%	1.89%	1.67%	1.92%
42	Bank of Guiyang Co., Ltd.	RMB	9.81%	11.82%	1.96%	2.12%	2.11%	2.27%
43	Bank of Jilin Co., Ltd.	RMB	5.02%	4.47%	1.92%	1.85%	1.89%	1.87%
44	Bank of Zhengzhou Co., Ltd.	RMB	3.29%	3.53%	2.00%	2.18%	2.08%	2.27%
45	Bank of Dongguan Co., Ltd.	RMB	12.07%	12.91%	1.63%	1.72%	1.61%	1.67%
46	HSBC Bank (China) Company Limited	RMB	8.59%	10.90%	1.33%	1.41%	1.70%	1.70%
47	Bank of Qingdao Co., Ltd.	RMB	10.71%	8.95%	1.85%	1.85%	1.83%	1.76%
48	Qilu Bank Co., Ltd.	RMB	12.90%	11.92%	1.66%	1.87%	1.74%	1.96%
49	Bank of Suzhou Co., Ltd.	RMB	12.00%	11.52%	1.73%	1.93%	1.68%	1.87%
50	Bank of Guizhou Co., Ltd.	RMB	7.91%	9.23%	1.86%	2.28%	1.77%	2.22%
51	Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.	RMB	9.28%	9.31%	1.88%	2.16%	1.92%	2.20%
52	Jiangxi Bank Co., Ltd.	RMB	1.76%	3.62%	1.66%	1.91%	1.75%	1.98%
53	Guilin Bank Co., Ltd.	RMB	5.72%	5.28%	1.90%	1.74%	2.06%	1.89%
54	WeBank Co., Ltd.	RMB	26.18%	27.87%	5.90%	5.47%	6.16%	5.57%
55	Hankou Bank Co., Ltd.	RMB	4.44%	6.44%	1.20%	1.28%	1.34%	1.42%
56	Bank of Hebei Co., Ltd.	RMB	6.03%	7.31%	2.13%	2.73%	2.10%	2.39%
57	Bank of Jiujiang Co., Ltd.	RMB	1.28%	4.52%	1.72%	1.93%	1.76%	1.91%
58	Bank of Hunan Co., Ltd.	RMB	9.93%	9.86%	1.76%	2.02%	1.90%	2.34%
59	Chang'An Bank Co., Ltd.	RMB	8.95%	9.65%	1.82%	1.99%	2.00%	2.19%
60	Hangzhou United Rural Commercial Bank Co., Ltd.	RMB	14.19%	12.72%	1.77%	2.49%	2.02%	2.59%
61	Bank of Wenzhou Co., Ltd.	RMB	8.04%	4.51%	1.00%	0.83%	1.31%	1.25%
62	Bank of Dalian Co., Ltd.	RMB	1.95%	2.13%	0.56%	0.85%	0.66%	1.05%
63	Guangxi Beibu Gulf Bank Co., Ltd.	RMB	10.73%	11.19%	2.10%	2.26%	1.84%	1.95%
64	Qingdao Rural Commercial Bank Co., Ltd.	RMB	7.33%	6.97%	1.77%	2.01%	1.76%	2.00%
65	Guangdong Shunde Rural Commercial Bank Co., Ltd.	RMB	9.89%	10.81%	1.63%	1.88%	1.65%	1.91%
66	Hubei Bank Co., Ltd.	RMB	7.77%	7.52%	Undisclosed	Undisclosed	Undisclosed	Undisclosed
67	Bank of Lanzhou Co., Ltd.	RMB	5.98%	5.77%	1.49%	1.65%	1.46%	1.58%
68	Zhejiang E-Commerce Bank Co., Ltd.	RMB	20.55%	21.34%	3.17%	2.41%	3.41%	2.59%
69	Shaanxi Qingnong Rural Commercial Bank Co.,ltd.	RMB	10.27%	11.03%	1.19%	1.24%	1.28%	1.69%
70	Guangdong Huaxing Bank Co., Ltd.	RMB	12.39%	15.49%	1.71%	2.08%	1.55%	1.86%
71	Bank of Xi'an Co., Ltd.	RMB	8.22%	8.57%	1.31%	1.54%	1.37%	1.66%
72	Bank of Kunlun Co., Ltd.	RMB	6.67%	7.62%	1.96%	2.11%	2.03%	2.18%
73	Tianjin Rural Commercial Bank Co., Ltd.	RMB	8.24%	8.28%	1.62%	1.61%	1.76%	1.75%
74	Zhejiang Tailong Commercial Bank Co., Ltd.	RMB	17.09%	16.50%	3.56%	3.66%	3.70%	3.83%
75	Bank of Taizhou Co., Ltd.	RMB	16.75%	16.41%	2.72%	2.87%	2.96%	3.09%
76	Weihai City Commercial Bank Co., Ltd.	RMB	8.15%	8.63%	1.76%	1.94%	1.89%	2.07%
77	Xiamen Bank Co., Ltd.	RMB	11.20%	11.38%	1.20%	1.47%	1.28%	1.53%
78	China Resources Bank of Zhuhai Co., Ltd.	RMB	4.41%	9.49%	1.16%	1.73%	1.38%	1.79%
79	Bank of Gansu Co., Ltd.	RMB	1.97%	1.87%	1.26%	1.21%	1.48%	1.45%
80	Fudian Bank Co., Ltd.	RMB	3.34%	3.65%	1.63%	1.60%	1.72%	1.66%

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
1.23%	0.90%	3.81%	3.37%	308.30%	373.83%	15.85%	15.98%	13.65%	13.74%	13.62%	13.70%
1.59%	1.45%	3.90%	3.79%	244.50%	260.86%	15.03%	14.16%	12.90%	12.02%	11.84%	10.95%
1.39%	1.52%	2.45%	2.43%	168.17%	151.06%	10.89%	11.63%	9.64%	10.30%	8.87%	9.37%
1.87%	1.88%	3.28%	3.12%	174.87%	165.73%	12.38%	12.72%	11.13%	11.63%	8.90%	9.29%
0.93%	0.93%	2.35%	2.38%	252.86%	254.30%	13.75%	13.42%	9.91%	9.75%	8.87%	8.56%
0.16%	0.21%	2.50%	1.50%	1558.00%	748.20%	17.80%	16.70%	16.70%	15.80%	16.70%	15.80%
1.18%	1.21%	2.67%	2.65%	225.96%	219.77%	12.79%	13.56%	10.10%	10.69%	8.42%	8.75%
1.26%	1.29%	3.83%	3.63%	303.58%	281.06%	15.38%	14.47%	12.41%	11.35%	10.16%	9.56%
0.84%	0.88%	4.39%	4.67%	522.77%	530.81%	14.03%	12.92%	10.81%	10.47%	9.38%	9.63%
1.68%	1.47%	4.83%	5.17%	287.71%	351.21%	13.30%	13.82%	12.16%	11.91%	11.25%	11.20%
1.02%	1.04%	3.11%	2.93%	302.90%	281.53%	12.92%	13.71%	11.13%	10.90%	9.62%	9.22%
2.17%	2.18%	3.84%	3.88%	177.16%	178.05%	13.55%	14.00%	12.37%	12.82%	9.37%	9.65%
1.65%	1.59%	2.42%	2.28%	146.65%	143.55%	12.07%	12.73%	9.72%	10.33%	8.82%	9.32%
1.46%	1.47%	5.14%	6.11%	352.64%	413.99%	12.80%	12.58%	11.77%	11.55%	11.77%	11.55%
2.61%	2.61%	4.24%	4.28%	162.63%	164.28%	11.84%	10.98%	9.23%	9.22%	7.61%	7.57%
1.31%	1.52%	2.29%	2.75%	175.04%	181.66%	13.67%	14.38%	12.99%	13.17%	9.09%	9.12%
2.09%	1.82%	3.21%	3.14%	153.82%	173.01%	12.01%	12.62%	11.07%	10.61%	8.64%	7.93%
1.75%	1.89%	2.91%	2.87%	165.74%	152.03%	12.20%	12.53%	10.07%	10.40%	8.62%	8.80%
1.82%	1.82%	3.44%	3.33%	189.26%	182.18%	11.83%	12.46%	9.66%	10.17%	8.64%	9.03%
0.86%	0.87%	4.83%	4.65%	559.27%	532.87%	13.32%	13.61%	9.93%	9.78%	8.81%	9.08%
1.10%	1.31%	1.66%	1.97%	151.08%	150.23%	11.21%	10.97%	9.59%	8.65%	7.65%	8.65%
2.57%	2.50%	3.68%	4.08%	143.23%	163.24%	12.37%	10.65%	11.54%	9.47%	8.94%	9.47%
1.43%	1.25%	2.58%	2.50%	180.33%	199.74%	13.49%	12.40%	11.25%	9.88%	9.48%	8.23%
1.81%	2.19%	4.32%	4.55%	237.96%	207.63%	13.21%	13.18%	11.48%	11.41%	9.91%	9.77%
1.48%	1.23%	2.98%	3.22%	201.33%	262.47%	14.65%	14.05%	12.30%	11.64%	11.62%	11.64%
1.96%	1.97%	4.42%	4.24%	225.12%	214.78%	12.35%	12.34%	9.87%	9.70%	8.71%	9.37%
1.73%	1.71%	3.41%	3.33%	197.51%	194.99%	11.12%	11.27%	9.92%	10.07%	8.41%	8.47%
2.28%	1.94%	4.54%	4.99%	199.14%	257.39%	11.30%	11.50%	10.22%	10.40%	8.60%	8.47%
2.15%	2.07%	3.54%	3.50%	164.59%	169.21%	11.66%	11.75%	9.36%	8.89%	8.93%	8.40%
1.57%	1.12%	2.84%	2.49%	181.34%	222.90%	11.98%	11.29%	9.12%	9.25%	8.22%	8.24%
1.35%	1.25%	2.65%	2.53%	197.07%	201.63%	13.14%	12.84%	10.73%	10.48%	10.73%	10.48%
1.29%	0.98%	3.30%	3.15%	256.30%	321.06%	13.38%	13.48%	12.20%	12.29%	12.19%	12.29%
1.66%	1.92%	2.88%	3.08%	173.70%	160.38%	12.83%	13.40%	10.97%	11.05%	10.95%	11.03%
0.98%	0.92%	2.97%	2.84%	302.92%	303.32%	14.38%	14.41%	10.72%	10.68%	9.93%	9.75%
0.88%	0.90%	3.15%	3.06%	359.29%	339.99%	15.42%	15.12%	13.18%	12.50%	12.01%	11.25%
1.45%	1.46%	2.21%	2.26%	152.12%	154.68%	13.38%	13.83%	10.41%	10.61%	8.77%	8.81%
0.76%	0.86%	3.15%	3.34%	412.89%	387.93%	15.40%	13.76%	12.34%	10.60%	9.86%	9.50%
1.73%	1.74%	2.92%	3.27%	169.32%	188.56%	14.06%	17.08%	11.95%	14.50%	11.19%	13.54%
2.00%	2.00%	2.66%	2.64%	133.39%	134.73%	11.88%	12.28%	11.38%	11.76%	11.38%	11.76%
1.99%	1.96%	3.68%	3.35%	185.52%	170.38%	12.41%	11.75%	11.25%	10.62%	9.15%	9.73%

	Name of bank	Currency	Total assets (Unit: Million) 2023	Total assets (Unit: Million) 2022	Net assets attributable to the parent company (Unit: Million) 2023	Net assets attributable to the parent company (Unit: Million) 2022	Total loans (Unit: Million) 2023	Total loans (Unit: Million) 2022
81	Jinshang Bank Co., Ltd.	RMB	361,305	336,420	24,797	23,335	192,388	186,826
82	Zhejiang Chouzhou Commercial Bank Co., Ltd.	RMB	358,577	327,021	25,400	23,555	189,354	169,468
83	Shanxi Bank Co., Ltd.	RMB	356,330	320,687	22,885	21,851	172,920	171,039
84	Zhejiang Xiaoshan Rural Commercial Bank Co., Ltd.	RMB	352,285	283,110	23,256	20,570	197,782	169,910
85	Bank of Zhangjiakou Co.,Ltd.	RMB	341,728	318,662	25,070	24,383	198,549	175,534
86	Sichuan Bank Co., Ltd.	RMB	337,965	247,181	33,528	31,800	176,422	136,375
87	Longjiang Bank Co., Ltd.	RMB	336,169	298,921	18,838	17,978	141,117	132,665
88	Jiangsu Changshu Rural Commercial Bank Co., Ltd.	RMB	334,456	287,881	25,356	22,578	223,065	193,987
89	Bank of Rizhao Co., Ltd.	RMB	328,462	287,499	24,077	22,981	192,347	164,799
90	Standard Chartered Bank (China) Limited	RMB	321,997	272,450	30,181	28,929	107,030	101,380
91	Bank of Langfang Co., Ltd.	RMB	311,794	281,725	26,029	25,710	185,345	168,104
92	Bank of Tangshan Co., Ltd.	RMB	306,353	253,093	28,234	22,548	156,280	131,748
93	Guangdong Nanyue Bank Co., Ltd.	RMB	306,298	227,867	29,855	19,455	134,449	109,611
94	Guangdong Nanhai Rural Commercial Bank Co., Ltd.	RMB	305,182	279,212	25,655	23,910	154,776	141,497
95	Chongqing Three Gorges Bank Co., Ltd.	RMB	301,970	262,959	22,303	21,179	155,915	137,173
96	Bank of Ganzhou Co., Ltd.	RMB	276,121	266,822	16,877	16,526	197,076	175,217
97	Jilin Jiutai Rural Commercial Bank Company Limited	RMB	269,775	267,001	16,107	15,888	182,986	175,957
98	Zhejiang Mintai Commercial Bank Co., Ltd.	RMB	267,079	237,323	17,938	16,208	194,010	165,288
99	Ningbo Yinzhou Rural Commercial Bank Co., Ltd.	RMB	263,459	237,456	22,213	20,826	162,120	143,435
100	Tianjin Binhai Rural Commercial Bank Co., Ltd.	RMB	261,764	229,840	18,029	12,920	144,123	131,631
101	Fujian Haixia Bank Co., Ltd.	RMB	257,138	225,192	16,844	13,891	143,996	124,836
102	Bank of Shaoxing Co., Ltd.	RMB	252,727	215,764	15,701	12,818	151,971	128,720
103	Bank of Cangzhou Co., Ltd.	RMB	250,410	209,601	14,945	13,939	156,505	127,413
104	Jiangsu Zijin Rural Commercial Bank Co., Ltd.	RMB	247,664	224,722	18,472	17,097	177,524	160,561
105	Bank of Shangrao Co., Ltd.	RMB	246,993	215,501	15,556	14,907	151,381	128,304
106	Bank of Qishang Co., Ltd.	RMB	246,177	216,281	18,097	16,517	146,042	135,911
107	Zhejiang Hangzhou Yuhang Rural Commercial Bank Co., Ltd.	RMB	244,313	191,857	15,395	13,802	139,390	111,384
108	Sichuan Tianfu Bank Co., Ltd.	RMB	243,522	224,161	8,804	8,371	134,259	127,419
109	Wuxi Rural Commercial Bank Co., Ltd.	RMB	234,956	211,603	21,056	19,382	143,229	128,802
110	Bank of Handan Co., Ltd.	RMB	234,051	226,119	15,815	15,768	127,807	120,981
111	Liaoshen Bank Co., Ltd	RMB	229,720	224,941	15,791	15,649	30,677	27,710
112	Bank of Liuzhou Co., Ltd.	RMB	225,846	202,969	16,608	15,323	140,274	122,521
113	Mianyang City Commercial Bank Co., Ltd.	RMB	214,308	180,401	13,035	11,605	106,027	92,268
114	Bank of Urumqi Co., Ltd.	RMB	211,573	193,378	16,789	15,892	111,577	102,001
115	Bank of Chengde Co., Ltd.	RMB	207,497	186,672	11,939	10,728	91,840	83,182
116	Jiangsu Zhangjiagang Rural Commercial Bank Co., Ltd.	RMB	207,127	187,533	17,036	15,561	127,315	115,246
117	Bank of Laishang Co., Ltd.	RMB	207,026	187,936	14,033	13,685	140,446	121,156
118	Zhongshan Rural Commercial Bank Co., Ltd.	RMB	204,998	191,672	16,400	15,230	105,366	97,225
119	Bank of Jining Co., Ltd.	RMB	203,517	169,532	12,953	10,792	118,712	103,645
120	Bank of Ningxia Co., Ltd.	RMB	203,345	184,731	14,330	13,825	104,469	100,401

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net interest income		Net fee income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
288,250	253,771	5,802	5,260	4,236	3,593	703	734	2,003	1,838	38.94%	39.93%
251,909	226,860	9,899	8,436	6,503	4,843	322	310	1,898	1,780	32.42%	34.57%
269,411	241,982	3,154	3,101	1,937	1,870	256	220	831	392	80.87%	81.53%
275,573	226,885	7,016	6,359	5,453	4,990	129	115	2,754	2,442	22.55%	22.33%
267,001	251,372	6,708	6,084	5,765	5,382	(0)	(106)	877	798	37.07%	38.69%
228,170	168,647	6,149	4,475	4,839	3,963	101	111	1,295	909	45.74%	50.00%
291,502	267,908	4,168	3,958	2,405	2,807	253	297	668	598	47.71%	46.88%
254,453	219,182	9,870	8,809	8,501	7,611	32	188	3,282	2,744	36.87%	38.58%
249,796	214,753	6,611	6,333	5,419	5,327	523	409	1,507	1,345	36.95%	34.62%
198,819	148,704	8,607	8,347	3,911	4,076	1,752	1,397	2,168	1,614	60.32%	57.10%
232,853	208,508	4,683	5,080	4,306	4,657	115	17	579	810	39.01%	37.77%
218,673	182,896	6,168	4,676	4,989	3,896	92	61	3,015	2,158	23.02%	25.21%
182,748	145,380	3,063	2,704	2,385	1,895	73	313	410	386	57.83%	57.65%
216,953	196,643	6,861	6,986	4,335	4,311	247	294	2,382	2,728	31.48%	28.60%
205,738	175,847	5,119	4,606	4,365	3,953	208	265	1,314	1,196	32.73%	29.42%
206,372	197,312	5,281	5,423	4,530	4,730	316	249	368	846	32.03%	30.22%
242,207	232,292	5,514	6,597	5,528	6,515	20	82	168	1,683	58.78%	48.04%
201,534	181,778	6,705	6,223	6,300	5,926	(160)	(86)	1,339	1,230	51.91%	51.57%
210,914	186,695	5,204	5,141	3,606	3,824	(8)	36	1,814	1,883	31.84%	30.33%
211,797	186,615	3,340	2,774	2,987	2,368	32	(68)	552	524	42.67%	48.25%
168,344	147,831	4,954	4,893	3,807	3,809	(19)	457	916	792	31.29%	31.88%
162,912	140,059	3,799	3,936	3,044	3,280	110	145	1,560	1,401	37.75%	35.52%
216,088	185,415	4,952	4,081	4,663	3,998	7	(8)	1,282	1,283	40.28%	43.08%
201,466	179,728	4,420	4,507	3,960	4,035	115	66	1,619	1,600	38.31%	38.57%
184,680	159,423	4,808	4,757	3,762	3,622	57	65	947	933	33.66%	32.95%
195,776	170,760	3,882	3,605	3,344	3,001	226	200	688	640	39.49%	40.35%
205,654	165,991	4,423	4,207	3,780	3,976	47	31	1,612	1,381	27.86%	27.72%
175,967	172,742	2,460	3,017	1,598	2,410	138	219	312	250	70.02%	69.11%
199,842	177,139	4,538	4,480	3,461	3,488	132	227	2,200	2,001	32.19%	30.98%
203,314	192,049	3,509	3,185	2,381	2,137	(2)	(4)	631	1,156	42.87%	40.68%
205,010	202,233	(609)	(1,731)	(869)	(2,196)	(34)	(97)	(4)	(2,904)	-226.43%	-78.74%
160,849	132,176	4,376	4,421	4,118	3,708	174	401	962	870	41.40%	39.14%
155,993	129,459	4,980	4,664	3,895	3,806	288	320	1,504	1,040	26.92%	25.50%
141,684	137,413	3,458	2,987	2,675	2,432	109	119	1,037	873	39.80%	40.25%
157,051	141,504	3,881	3,971	2,834	3,110	(602)	(706)	1,539	1,490	29.24%	26.92%
160,923	143,598	4,541	4,827	3,864	3,917	27	47	1,787	1,682	36.90%	32.61%
176,303	156,484	4,359	4,168	3,810	3,696	275	170	561	598	39.76%	35.00%
139,968	132,679	3,828	3,692	2,874	2,868	174	154	1,822	1,799	36.03%	36.57%
168,227	141,082	5,094	3,976	5,933	4,625	(1,332)	(1,095)	1,113	981	25.21%	27.82%
145,150	124,942	3,264	3,248	2,142	2,356	42	72	603	721	41.73%	43.56%

	Name of bank	Currency	Return on average equity % (rounded to 2 decimal places) 2023	2022	Net interest spread % (rounded to 2 decimal places) 2023	2022	Net interest margin % (rounded to 2 decimal places) 2023	2022
81	Jinshang Bank Co., Ltd.	RMB	8.31%	8.07%	1.29%	1.40%	1.36%	1.32%
82	Zhejiang Chouzhou Commercial Bank Co., Ltd.	RMB	7.75%	7.79%	1.99%	1.61%	2.05%	1.68%
83	Shanxi Bank Co., Ltd.	RMB	3.72%	1.88%	0.53%	0.70%	0.60%	0.66%
84	Zhejiang Xiaoshan Rural Commercial Bank Co., Ltd.	RMB	12.69%	12.15%	Undisclosed	1.77%	1.74%	1.85%
85	Bank of Zhangjiakou Co.,Ltd.	RMB	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed
86	Sichuan Bank Co., Ltd.	RMB	3.98%	2.75%	2.00%	1.95%	1.99%	2.14%
87	Longjiang Bank Co., Ltd.	RMB	3.80%	2.87%	0.66%	0.85%	0.77%	0.99%
88	Jiangsu Changshu Rural Commercial Bank Co., Ltd.	RMB	13.69%	13.06%	2.70%	2.88%	2.86%	3.02%
89	Bank of Rizhao Co., Ltd.	RMB	Undisclosed	Undisclosed	1.60%	1.83%	1.80%	2.03%
90	Standard Chartered Bank (China) Limited	RMB	7.30%	5.70%	1.32%	1.54%	1.47%	1.93%
91	Bank of Langfang Co., Ltd.	RMB	1.59%	3.25%	1.31%	1.74%	1.53%	1.88%
92	Bank of Tangshan Co., Ltd.	RMB	11.88%	10.54%	1.60%	1.47%	1.81%	1.69%
93	Guangdong Nanyue Bank Co., Ltd.	RMB	1.66%	1.99%	0.97%	1.04%	0.98%	0.99%
94	Guangdong Nanhai Rural Commercial Bank Co., Ltd.	RMB	9.68%	11.80%	1.76%	1.99%	1.72%	1.90%
95	Chongqing Three Gorges Bank Co., Ltd.	RMB	6.26%	5.95%	1.36%	1.33%	1.60%	1.63%
96	Bank of Ganzhou Co., Ltd.	RMB	2.20%	5.32%	1.50%	1.72%	1.69%	1.91%
97	Jilin Jiutai Rural Commercial Bank Company Limited	RMB	0.95%	9.19%	1.99%	2.44%	2.08%	2.56%
98	Zhejiang Mintai Commercial Bank Co., Ltd.	RMB	8.16%	8.75%	2.46%	2.69%	2.61%	2.83%
99	Ningbo Yinzhou Rural Commercial Bank Co., Ltd.	RMB	9.54%	11.04%	1.29%	1.56%	1.47%	1.74%
100	Tianjin Binhai Rural Commercial Bank Co., Ltd.	RMB	3.57%	4.14%	1.01%	0.89%	1.23%	1.10%
101	Fujian Haixia Bank Co., Ltd.	RMB	6.30%	5.76%	1.96%	1.95%	1.83%	1.99%
102	Bank of Shaoxing Co., Ltd.	RMB	10.89%	11.42%	Undisclosed	Undisclosed	Undisclosed	Undisclosed
103	Bank of Cangzhou Co., Ltd.	RMB	8.91%	9.54%	1.89%	1.90%	2.05%	2.06%
104	Jiangsu Zijin Rural Commercial Bank Co., Ltd.	RMB	9.10%	9.64%	1.41%	1.60%	1.59%	1.80%
105	Bank of Shangrao Co., Ltd.	RMB	6.57%	6.73%	1.51%	1.65%	1.66%	1.82%
106	Bank of Qishang Co., Ltd.	RMB	3.88%	3.83%	1.32%	1.33%	1.48%	1.51%
107	Zhejiang Hangzhou Yuhang Rural Commercial Bank Co., Ltd.	RMB	11.04%	10.48%	1.62%	2.20%	1.75%	2.33%
108	Sichuan Tianfu Bank Co., Ltd.	RMB	4.21%	2.42%	1.37%	1.72%	0.85%	0.87%
109	Wuxi Rural Commercial Bank Co., Ltd.	RMB	11.48%	13.01%	1.39%	1.56%	1.64%	1.81%
110	Bank of Handan Co., Ltd.	RMB	4.00%	10.57%	0.94%	1.09%	1.06%	1.19%
111	Liaoshen Bank Co., Ltd	RMB	-0.03%	-16.85%	8.10%	0.26%	-1.67%	-1.60%
112	Bank of Liuzhou Co., Ltd.	RMB	6.03%	5.77%	1.80%	1.81%	1.97%	2.02%
113	Mianyang City Commercial Bank Co., Ltd.	RMB	14.57%	11.21%	1.86%	2.19%	2.28%	2.62%
114	Bank of Urumqi Co., Ltd.	RMB	6.35%	5.55%	1.17%	1.13%	1.40%	1.39%
115	Bank of Chengde Co., Ltd.	RMB	13.63%	14.69%	1.37%	1.66%	1.47%	1.77%
116	Jiangsu Zhangjiagang Rural Commercial Bank Co., Ltd.	RMB	11.65%	12.21%	1.74%	1.99%	1.99%	2.25%
117	Bank of Laishang Co., Ltd.	RMB	4.03%	5.67%	1.85%	1.98%	2.00%	2.15%
118	Zhongshan Rural Commercial Bank Co., Ltd.	RMB	11.52%	12.24%	1.35%	1.48%	1.53%	1.73%
119	Bank of Jining Co., Ltd.	RMB	9.37%	9.38%	3.09%	2.82%	3.24%	2.97%
120	Bank of Ningxia Co., Ltd.	RMB	4.28%	5.29%	1.02%	1.23%	1.14%	1.71%

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
1.78%	1.80%	3.54%	3.19%	198.71%	177.04%	13.17%	12.40%	11.14%	10.50%	11.14%	10.50%
1.41%	1.50%	2.95%	2.91%	208.99%	194.64%	13.66%	13.85%	9.83%	10.08%	8.93%	9.09%
1.74%	2.33%	3.53%	3.77%	202.74%	161.56%	11.74%	13.05%	9.90%	10.86%	9.90%	10.86%
0.88%	0.84%	5.41%	5.77%	621.77%	683.61%	13.68%	14.26%	11.61%	12.01%	11.61%	12.01%
2.01%	3.00%	3.02%	3.87%	150.22%	128.97%	11.11%	10.88%	9.50%	10.23%	7.89%	8.48%
1.46%	1.57%	4.54%	4.50%	311.27%	286.69%	15.83%	18.60%	14.65%	17.40%	14.65%	17.39%
3.03%	3.48%	4.88%	5.11%	157.87%	146.62%	13.63%	14.23%	10.24%	10.84%	8.57%	9.05%
0.75%	0.81%	4.04%	4.35%	537.88%	536.77%	13.86%	13.87%	10.48%	10.27%	10.42%	10.21%
1.54%	1.69%	3.06%	3.20%	198.79%	189.65%	13.33%	12.77%	10.76%	11.74%	9.34%	10.16%
1.44%	1.01%	3.49%	2.99%	243.00%	295.00%	18.70%	19.30%	15.90%	16.40%	15.90%	16.40%
2.03%	2.40%	3.10%	3.76%	153.19%	156.40%	13.70%	14.48%	12.73%	13.32%	10.26%	10.71%
0.92%	0.91%	5.33%	5.29%	578.87%	584.04%	13.80%	12.93%	12.68%	11.81%	9.58%	9.80%
2.57%	2.91%	3.32%	3.90%	128.83%	133.73%	15.36%	12.39%	14.82%	11.60%	14.81%	11.60%
1.49%	1.13%	3.42%	3.25%	230.55%	287.63%	14.03%	14.43%	12.88%	13.28%	12.88%	13.28%
1.60%	1.77%	2.62%	2.66%	163.73%	150.59%	12.62%	13.09%	11.77%	11.83%	10.33%	10.31%
1.81%	2.27%	2.92%	4.09%	161.35%	180.23%	11.06%	11.75%	10.54%	10.64%	8.31%	8.33%
2.34%	1.98%	3.68%	3.12%	156.98%	157.39%	11.35%	11.50%	8.81%	9.01%	8.72%	8.91%
1.13%	1.17%	1.73%	1.94%	152.85%	165.87%	11.67%	11.50%	9.26%	9.55%	7.96%	8.37%
0.98%	0.94%	3.47%	3.44%	278.31%	278.13%	14.36%	15.89%	13.05%	14.43%	11.17%	12.22%
2.62%	2.60%	3.32%	3.28%	126.69%	126.46%	15.42%	15.18%	13.93%	12.88%	9.26%	7.64%
1.39%	1.33%	2.79%	2.56%	201.12%	191.82%	12.12%	11.39%	9.94%	9.32%	8.24%	8.70%
0.83%	0.91%	2.70%	2.83%	324.67%	310.66%	13.29%	12.50%	10.18%	9.20%	8.37%	8.13%
1.84%	1.99%	2.89%	3.23%	154.94%	162.10%	11.55%	12.45%	9.04%	10.19%	9.04%	10.19%
1.16%	1.20%	2.87%	2.97%	247.25%	246.66%	14.03%	14.35%	10.28%	10.42%	10.28%	10.42%
1.91%	1.75%	4.79%	5.90%	250.62%	337.81%	11.70%	12.49%	10.54%	11.33%	8.12%	8.62%
1.90%	1.81%	2.73%	2.58%	143.65%	142.18%	11.75%	11.49%	10.78%	10.40%	8.48%	8.63%
0.84%	0.88%	3.69%	3.59%	442.85%	412.28%	14.96%	15.01%	11.55%	12.07%	9.97%	10.19%
2.40%	2.69%	4.09%	3.94%	182.50%	159.46%	10.83%	9.78%	8.66%	8.27%	7.59%	8.22%
0.79%	0.81%	4.11%	4.46%	522.57%	552.74%	14.41%	14.75%	12.52%	12.30%	11.27%	10.97%
2.24%	1.90%	3.06%	2.95%	136.84%	154.73%	13.07%	12.91%	12.26%	11.97%	9.92%	9.67%
4.53%	4.67%	20.31%	27.66%	448.00%	592.67%	19.14%	21.97%	17.35%	18.94%	17.35%	18.94%
1.68%	1.71%	2.70%	2.60%	160.86%	151.81%	11.63%	11.45%	10.72%	10.71%	10.52%	10.49%
1.71%	1.48%	5.85%	5.83%	341.26%	393.37%	11.70%	11.79%	9.83%	9.83%	8.34%	8.16%
0.92%	1.58%	3.00%	3.32%	326.25%	210.46%	15.16%	18.14%	13.99%	16.01%	13.99%	16.01%
1.71%	1.72%	4.22%	3.78%	247.34%	220.23%	14.78%	14.67%	11.19%	10.87%	11.18%	10.86%
0.94%	0.89%	3.98%	4.63%	424.23%	521.09%	13.04%	13.13%	11.17%	10.86%	9.76%	9.36%
1.41%	1.66%	2.32%	2.26%	165.05%	142.35%	12.36%	11.33%	11.20%	10.38%	8.08%	8.13%
1.24%	1.13%	3.41%	3.55%	275.55%	313.28%	15.33%	16.63%	14.17%	14.08%	14.17%	14.08%
1.33%	1.36%	3.53%	2.95%	265.09%	217.03%	13.21%	12.95%	10.85%	10.43%	9.26%	8.61%
2.49%	2.73%	2.89%	4.19%	116.03%	153.53%	11.95%	11.64%	Undisclosed	Undisclosed	9.62%	9.85%

	Name of bank	Currency	Total assets Unit: Million 2023	Total assets Unit: Million 2022	Net assets attributable to the parent company Unit: Million 2023	Net assets attributable to the parent company Unit: Million 2022	Total loans Unit: Million 2023	Total loans Unit: Million 2022
121	Dongying Bank Co., Ltd.	RMB	203,300	177,827	12,986	12,591	113,973	97,600
122	Jiangsu Suzhou Rural Commercial Bank Co., Ltd.	RMB	202,565	180,278	15,783	14,200	122,471	109,224
123	Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd.	RMB	196,888	159,623	16,628	14,916	113,532	103,054
124	Mengshang Bank Co., Ltd.	RMB	194,493	183,531	21,335	21,252	93,058	82,057
125	Changsha Rural Commercial Bank Co., Ltd.	RMB	194,396	177,618	17,271	16,515	111,696	102,471
126	Bank of East Asia (China) Limited	RMB	186,041	193,244	21,610	21,600	101,602	108,361
127	Jiangsu Jiangyin Rural Commercial Bank Co., Ltd.	RMB	186,030	168,751	15,791	14,275	115,520	103,298
128	Leshan City Commercial Bank Co., Ltd.	RMB	185,035	167,099	12,027	11,393	100,790	85,819
129	Foshan Rural Commercial Bank Co., Ltd.	RMB	182,415	176,864	18,693	17,977	100,351	96,185
130	Citibank (China) Co., Ltd.	RMB	178,645	188,468	21,021	26,718	34,454	52,775
131	Ordos Bank Co.,Ltd.	RMB	177,704	140,692	Undisclosed	6,483	87,342	75,739
132	Jiangsu Kunshan Rural Commercial Bank Co., Ltd.	RMB	176,143	155,106	14,482	13,007	106,862	94,242
133	Bank of Quanzhou Co., Ltd.	RMB	171,231	152,270	11,373	9,872	102,167	91,446
134	Bank of Jiaxing Co., Ltd.	RMB	167,200	139,959	12,620	8,809	95,639	82,008
135	DBS Bank (China) Limited	RMB	160,485	154,658	13,976	13,398	54,194	52,050
136	Bank of Qinhuangdao Co., Ltd.	RMB	157,791	143,040	8,038	6,636	79,539	68,890
137	Bank of Linshang Co., Ltd.	RMB	157,652	142,279	11,224	10,707	110,801	98,636
138	Luzhou Bank Co., Ltd.	RMB	157,636	148,630	10,927	10,196	93,039	83,181
139	Bank of Baoding Co., Ltd.	RMB	157,449	138,225	12,415	9,369	84,065	71,283
140	Bank of Xingtai Co., Ltd.	RMB	156,617	142,028	9,698	7,715	90,780	83,309
141	Yunnan Hongta Bank Co., Ltd.	RMB	156,112	151,923	13,042	12,696	66,002	67,367
142	Guiyang Rural Commercial Bank Co., Ltd.	RMB	155,404	148,003	10,059	8,311	102,861	89,003
143	Ningbo Commerce Bank Co., Ltd.	RMB	155,216	138,534	12,362	11,150	74,152	64,217
144	Ningbo Cixi Rural Commercial Bank Co.,Ltd.	RMB	151,355	131,044	11,794	10,816	84,530	73,521
145	Dalian Rural Commercial Bank Co., Ltd.	RMB	150,480	142,770	8,396	8,316	71,854	74,293
146	Nanyang Commercial Bank (China) Limited	RMB	149,441	142,761	16,734	16,253	82,694	81,346
147	Jiangmen Rural Commercial Bank Co., Ltd.	RMB	148,940	139,213	14,541	13,760	78,016	73,131
148	Zhejiang Wenzhou Lucheng Rural Commercial Bank Co., Ltd.	RMB	146,390	130,955	9,161	8,115	101,381	91,956
149	Hefei Science&Technology Rural Commercial Bank Co.,Ltd.	RMB	143,260	122,356	10,647	9,638	75,627	63,125
150	Great Wall West China Bank Co.,ltd.	RMB	142,574	134,703	9,642	9,245	87,037	79,377
151	Deyang Rural Commercial Bank Co., Ltd.	RMB	142,147	33,411	8,277	2,186	70,761	18,407
152	Yanbian Rural Commercial Bank Co.,Ltd.	RMB	141,792	131,799	4,609	4,962	89,345	86,006
153	Bank of Huzhou Co., Ltd.	RMB	140,718	117,374	8,656	7,654	76,125	63,540
154	Yantai Bank Co., Ltd.	RMB	139,591	124,646	10,064	8,098	72,073	63,649
155	Fubon Bank (China) Co., Ltd.	RMB	138,665	133,323	9,684	8,606	62,709	51,428
156	Sumitomo Mitsui Banking Corporation (China) Limited	RMB	136,887	148,077	23,487	22,105	32,698	47,957
157	Xiamen Rural Commercial Bank Co., Ltd.	RMB	133,978	133,162	11,149	10,927	76,834	77,846
158	Mizuho Bank (China), Ltd.	RMB	128,684	138,008	21,120	19,730	41,647	50,683
159	Zhejiang Yiwu Rural Commercial Bank Co., Ltd.	RMB	123,032	107,375	9,734	9,069	85,158	71,945
160	Bank of Xinjiang Co., Ltd.	RMB	122,727	101,425	9,410	5,978	67,406	50,836

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: “Total loans” was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then “total loans” was calculated based on the loan amounts reported in the balance sheet.
Note 2: “Total deposits” was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net interest income		Net fee income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
174,570	145,511	3,463	3,276	2,784	2,568	168	178	545	506	34.95%	34.74%
157,598	139,805	4,046	4,037	2,966	3,138	89	131	1,743	1,502	34.65%	34.10%
147,230	126,052	3,804	3,525	3,054	3,188	(13)	(83)	1,727	1,528	34.70%	33.30%
137,665	135,116	3,558	3,519	1,215	1,180	465	456	96	42	83.05%	77.06%
137,699	127,353	4,545	4,671	3,945	4,163	2	(4)	1,258	1,378	32.21%	30.39%
119,270	128,882	4,569	4,184	3,613	3,446	448	396	48	363	63.44%	68.83%
142,368	129,835	3,865	3,780	2,982	3,193	80	93	1,888	1,616	30.87%	30.39%
125,022	106,880	3,617	3,410	3,433	3,299	67	50	598	562	31.95%	32.87%
148,473	145,023	3,335	3,247	2,946	2,843	89	96	1,291	1,430	44.47%	44.66%
124,025	136,639	4,809	5,616	2,676	2,678	613	749	1,140	1,658	Undisclosed	Undisclosed
148,333	122,697	2,250	2,104	Undisclosed	1,905	Undisclosed	35	Undisclosed	56	64.32%	72.54%
137,211	120,943	3,910	4,088	2,878	2,953	114	132	1,757	1,651	38.07%	33.82%
122,307	108,132	3,537	3,311	2,858	2,799	30	9	650	590	42.22%	42.58%
119,548	105,285	3,798	3,216	2,649	2,239	244	255	1,257	1,018	35.66%	38.08%
83,086	79,623	3,061	3,059	1,829	1,821	201	194	557	697	70.55%	64.04%
135,429	128,048	2,117	1,919	1,332	1,210	(17)	2	655	697	44.64%	48.85%
125,958	116,679	3,532	3,867	3,153	3,501	26	31	574	449	41.91%	37.26%
117,625	109,446	4,770	3,902	3,088	3,258	103	94	994	808	34.86%	38.87%
140,860	125,835	2,570	2,968	1,720	2,459	3	0	479	592	44.71%	34.77%
140,058	128,157	2,965	2,389	2,130	2,306	17	20	488	435	33.05%	40.99%
119,422	104,631	1,910	2,272	1,478	1,642	47	118	502	936	46.64%	36.38%
115,623	106,634	3,055	2,842	2,914	2,575	85	99	913	843	43.04%	40.59%
98,825	85,151	3,457	3,079	2,810	2,602	27	60	1,223	1,080	37.75%	39.69%
128,061	111,599	2,588	2,385	1,732	1,905	(13)	25	1,135	979	31.27%	31.11%
135,208	128,849	1,809	1,488	1,168	1,203	36	13	50	54	66.43%	80.45%
88,419	85,958	2,407	2,880	1,579	1,711	218	239	481	960	48.53%	43.27%
109,779	102,936	3,072	3,180	2,417	2,449	11	20	1,222	1,222	36.63%	34.93%
120,812	107,241	4,587	4,527	3,720	3,986	(43)	(73)	1,162	934	35.83%	34.98%
104,597	90,353	2,050	2,310	1,137	1,249	69	106	1,160	1,126	34.87%	29.97%
103,728	93,994	2,667	2,359	2,059	1,951	161	145	402	182	25.57%	28.29%
129,142	29,173	624	471	539	413	(16)	(3)	314	197	42.25%	40.69%
129,148	113,820	1,969	1,745	1,855	1,483	(30)	(26)	(412)	(540)	90.76%	103.42%
97,580	82,273	2,782	2,565	2,412	2,400	80	32	1,054	962	40.47%	37.53%
111,824	103,852	2,056	2,268	1,560	1,770	105	99	330	325	43.82%	39.26%
94,855	88,178	1,584	1,820	1,311	2,397	(253)	(377)	17	432	67.43%	56.99%
90,589	93,558	2,954	2,887	1,918	1,713	18	84	1,415	1,155	Undisclosed	Undisclosed
112,899	111,107	2,317	2,650	1,915	2,077	98	137	122	116	39.04%	36.94%
94,295	103,595	2,924	3,028	1,906	1,579	141	133	1,376	1,222	43.25%	40.21%
95,139	83,134	2,370	2,336	1,895	1,908	(53)	(39)	843	722	35.95%	31.36%
92,451	75,803	1,793	1,248	1,500	930	33	70	480	375	38.11%	45.61%

	Name of bank	Currency	Return on average equity % (rounded to 2 decimal places) 2023	2022	Net interest spread % (rounded to 2 decimal places) 2023	2022	Net interest margin % (rounded to 2 decimal places) 2023	2022
121	Dongying Bank Co., Ltd.	RMB	4.26%	4.28%	1.35%	1.45%	1.50%	1.60%
122	Jiangsu Suzhou Rural Commercial Bank Co., Ltd.	RMB	11.67%	10.92%	1.53%	1.84%	1.74%	2.04%
123	Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd.	RMB	10.97%	10.80%	1.67%	2.10%	1.73%	2.21%
124	Mengshang Bank Co., Ltd.	RMB	0.06%	0.05%	0.44%	0.44%	0.68%	0.71%
125	Changsha Rural Commercial Bank Co., Ltd.	RMB	7.39%	8.40%	1.95%	2.27%	2.35%	2.61%
126	Bank of East Asia (China) Limited	RMB	0.22%	1.69%	1.70%	1.61%	1.97%	1.86%
127	Jiangsu Jiangyin Rural Commercial Bank Co., Ltd.	RMB	12.55%	11.87%	1.85%	1.94%	2.06%	2.18%
128	Leshan City Commercial Bank Co., Ltd.	RMB	5.10%	5.02%	1.86%	2.02%	2.00%	2.17%
129	Foshan Rural Commercial Bank Co., Ltd.	RMB	7.04%	8.05%	1.55%	1.54%	1.71%	1.70%
130	Citibank (China) Co., Ltd.	RMB	4.79%	6.39%	Undisclosed	Undisclosed	Undisclosed	Undisclosed
131	Ordos Bank Co.,Ltd.	RMB	Undisclosed	0.91%	Undisclosed	1.51%	1.28%	1.45%
132	Jiangsu Kunshan Rural Commercial Bank Co., Ltd.	RMB	12.82%	13.43%	1.87%	2.35%	1.90%	2.34%
133	Bank of Quanzhou Co., Ltd.	RMB	6.46%	6.45%	1.66%	1.81%	1.94%	2.07%
134	Bank of Jiaxing Co., Ltd.	RMB	11.73%	12.08%	1.54%	1.53%	1.96%	1.97%
135	DBS Bank (China) Limited	RMB	4.07%	5.33%	1.12%	1.18%	1.27%	1.33%
136	Bank of Qinhuangdao Co., Ltd.	RMB	8.94%	10.83%	0.81%	0.80%	0.90%	0.89%
137	Bank of Linshang Co., Ltd.	RMB	5.23%	4.32%	2.11%	2.65%	2.20%	2.72%
138	Luzhou Bank Co., Ltd.	RMB	9.36%	8.13%	2.69%	2.51%	2.39%	2.46%
139	Bank of Baoding Co., Ltd.	RMB	4.40%	6.32%	2.14%	3.46%	1.53%	1.95%
140	Bank of Xingtai Co., Ltd.	RMB	6.13%	5.79%	1.34%	1.40%	1.46%	1.65%
141	Yunnan Hongta Bank Co., Ltd.	RMB	3.90%	7.47%	0.79%	0.93%	1.04%	1.20%
142	Guiyang Rural Commercial Bank Co., Ltd.	RMB	9.94%	10.50%	1.87%	1.80%	1.98%	1.93%
143	Ningbo Commerce Bank Co., Ltd.	RMB	11.32%	10.74%	1.65%	1.76%	1.91%	2.00%
144	Ningbo Cixi Rural Commercial Bank Co.,Ltd.	RMB	10.04%	9.40%	1.07%	1.38%	1.41%	1.70%
145	Dalian Rural Commercial Bank Co., Ltd.	RMB	0.60%	0.65%	0.83%	0.91%	0.84%	0.94%
146	Nanyang Commercial Bank (China) Limited	RMB	2.92%	6.07%	0.83%	0.94%	1.22%	1.38%
147	Jiangmen Rural Commercial Bank Co., Ltd.	RMB	8.82%	9.32%	1.65%	1.84%	1.76%	1.96%
148	Zhejiang Wenzhou Lucheng Rural Commercial Bank Co., Ltd.	RMB	13.41%	10.05%	2.54%	3.16%	2.73%	3.36%
149	Hefei Science&Technology Rural Commercial Bank Co.,Ltd.	RMB	11.44%	12.21%	0.71%	0.93%	0.86%	1.08%
150	Great Wall West China Bank Co.,ltd.	RMB	4.25%	1.97%	1.42%	1.43%	1.55%	1.58%
151	Deyang Rural Commercial Bank Co., Ltd.	RMB	6.01%	11.07%	0.59%	1.56%	0.63%	1.62%
152	Yanbian Rural Commercial Bank Co.,Ltd.	RMB	-8.61%	-10.35%	1.36%	0.98%	1.43%	1.11%
153	Bank of Huzhou Co., Ltd.	RMB	14.34%	14.95%	1.76%	2.10%	1.90%	2.23%
154	Yantai Bank Co., Ltd.	RMB	3.63%	4.04%	1.05%	1.34%	1.20%	1.47%
155	Fubon Bank (China) Co., Ltd.	RMB	0.19%	5.25%	0.82%	1.69%	0.99%	1.84%
156	Sumitomo Mitsui Banking Corporation (China) Limited	RMB	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed
157	Xiamen Rural Commercial Bank Co., Ltd.	RMB	1.10%	1.06%	1.27%	1.60%	1.46%	1.69%
158	Mizuho Bank (China), Ltd.	RMB	6.74%	6.39%	1.28%	1.00%	1.50%	1.20%
159	Zhejiang Yiwu Rural Commercial Bank Co., Ltd.	RMB	8.98%	8.26%	1.50%	Undisclosed	1.67%	Undisclosed
160	Bank of Xinjiang Co., Ltd.	RMB	6.24%	6.49%	1.15%	0.86%	1.35%	1.10%

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: “Total loans” was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then “total loans” was calculated based on the loan amounts reported in the balance sheet.
Note 2: “Total deposits” was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	12.71%	12.31%	Undisclosed	Undisclosed	7.91%	8.38%
0.91%	0.95%	4.10%	4.21%	452.85%	442.83%	11.88%	12.09%	10.19%	10.17%	10.19%	10.17%
0.97%	1.08%	2.96%	3.03%	304.12%	280.50%	13.88%	15.58%	12.69%	14.43%	12.68%	14.42%
3.21%	3.51%	5.55%	6.51%	172.97%	186.05%	13.20%	13.60%	12.03%	12.38%	12.01%	12.36%
1.95%	1.67%	3.79%	3.55%	181.38%	203.61%	14.29%	15.07%	12.01%	12.68%	12.01%	12.68%
1.37%	1.77%	1.98%	2.30%	143.99%	130.19%	15.50%	14.86%	14.12%	13.56%	14.12%	13.56%
0.98%	0.98%	4.01%	4.60%	409.46%	469.62%	14.24%	13.90%	13.11%	12.78%	13.10%	12.77%
1.58%	1.66%	3.20%	3.11%	Undisclosed	183.94%	11.99%	12.42%	9.60%	10.00%	8.28%	8.56%
1.17%	0.91%	2.65%	2.57%	223.47%	283.14%	18.26%	17.95%	17.10%	16.79%	17.10%	16.79%
1.05%	0.60%	2.00%	2.03%	191.22%	341.51%	21.66%	28.17%	21.32%	27.39%	21.32%	27.39%
1.88%	2.28%	3.42%	3.83%	126.35%	167.96%	10.80%	11.76%	Undisclosed	11.71%	Undisclosed	8.54%
0.85%	0.85%	5.34%	5.97%	627.28%	703.41%	14.62%	14.83%	12.64%	12.72%	12.64%	12.71%
1.61%	1.52%	2.68%	2.59%	168.01%	170.81%	12.08%	12.12%	9.94%	9.80%	8.00%	7.56%
0.79%	0.75%	4.63%	4.38%	583.76%	584.63%	14.08%	12.40%	11.63%	9.63%	10.24%	7.93%
0.80%	0.70%	1.90%	1.90%	219.00%	270.80%	14.30%	14.80%	12.10%	12.40%	12.10%	12.40%
1.97%	1.99%	3.35%	3.24%	170.12%	163.28%	11.81%	12.45%	8.91%	9.42%	8.91%	8.13%
2.37%	2.36%	3.17%	3.63%	133.38%	154.19%	12.09%	12.81%	10.99%	11.15%	8.78%	8.84%
1.35%	1.53%	5.01%	3.93%	372.42%	256.93%	12.74%	13.01%	9.61%	9.72%	8.12%	8.10%
2.52%	2.79%	4.35%	4.63%	172.28%	165.91%	13.54%	11.65%	12.39%	10.50%	12.39%	10.50%
2.26%	2.84%	3.46%	4.58%	156.70%	161.29%	15.35%	15.40%	11.35%	10.91%	9.66%	10.91%
1.03%	0.96%	2.89%	2.79%	280.15%	290.20%	14.15%	15.35%	11.75%	12.72%	11.75%	12.72%
2.10%	2.34%	3.30%	3.65%	160.44%	158.70%	11.08%	11.04%	8.59%	8.00%	8.59%	8.00%
0.97%	1.03%	3.17%	3.19%	333.35%	315.12%	12.83%	13.42%	9.69%	10.03%	8.51%	8.68%
0.78%	0.78%	4.54%	4.81%	579.88%	617.12%	13.91%	14.76%	12.82%	13.73%	12.82%	13.73%
Undisclosed	Undisclosed	2.04%	2.72%	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed	Undisclosed
1.48%	1.36%	2.05%	1.85%	139.14%	136.16%	16.67%	17.10%	16.20%	16.69%	16.20%	16.69%
0.91%	0.98%	3.27%	3.03%	360.99%	310.79%	13.81%	13.55%	12.90%	12.54%	12.90%	12.54%
1.11%	1.17%	3.17%	3.36%	286.60%	286.19%	13.58%	13.62%	11.06%	10.96%	10.89%	10.77%
1.72%	1.76%	3.66%	3.92%	212.70%	222.26%	13.68%	14.00%	11.40%	11.62%	11.40%	11.62%
1.62%	1.80%	Undisclosed	Undisclosed	225.42%	137.47%	14.21%	14.75%	10.15%	10.95%	8.78%	9.40%
2.50%	1.41%	4.55%	3.39%	189.81%	239.80%	12.42%	13.55%	11.26%	12.39%	11.26%	12.39%
Undisclosed	4.26%	3.83%	3.62%	Undisclosed	84.87%	Undisclosed	9.57%	Undisclosed	7.94%	Undisclosed	6.78%
0.74%	0.67%	3.21%	3.28%	432.46%	490.52%	12.05%	12.97%	9.39%	9.97%	8.08%	8.41%
1.33%	1.83%	2.41%	2.94%	182.23%	160.74%	13.80%	11.72%	12.89%	10.85%	8.33%	8.85%
0.81%	0.81%	1.88%	1.50%	231.87%	186.20%	14.53%	15.32%	12.41%	11.98%	10.06%	10.85%
0.00%	0.00%	2.20%	1.96%	N/A	N/A	26.62%	20.64%	25.83%	19.80%	25.83%	19.80%
1.93%	2.06%	3.07%	3.18%	158.99%	154.93%	15.57%	13.15%	12.80%	10.94%	12.79%	10.93%
0.05%	0.04%	1.73%	1.68%	3732.22%	4419.39%	21.50%	19.66%	20.83%	18.87%	20.83%	18.87%
0.63%	0.75%	4.64%	4.88%	735.69%	652.33%	12.63%	14.06%	11.46%	12.89%	11.45%	12.88%
0.91%	1.20%	2.71%	2.84%	296.49%	237.50%	16.13%	14.35%	12.85%	10.46%	12.85%	10.46%

	Name of bank	Currency	Total assets (Unit: Million) 2023	2022	Net assets attributable to the parent company (Unit: Million) 2023	2022	Total loans (Unit: Million) 2023	2022
161	The Chinese Merchandise Bank, Ltd.	RMB	121,677	126,047	15,924	15,337	59,373	62,975
162	Leshan Rural Commercial Bank Co., Ltd.	RMB	121,274	104,625	6,140	5,976	55,175	51,890
163	Jiangsu Su Merchants Bank Co., Ltd.	RMB	116,649	104,289	6,886	6,032	61,475	55,646
164	Bank of Qinghai Co., Ltd.	RMB	115,827	110,468	9,791	9,587	67,251	64,613
165	Bank of Taian Co., Ltd.	RMB	114,863	100,743	8,293	7,942	70,847	59,641
166	Wuhan ZBank Co., Ltd.	RMB	114,484	107,788	5,409	5,015	47,584	44,869
167	Bank of Fushun Co., Ltd.	RMB	114,404	102,420	8,228	7,439	40,259	36,847
168	Bank of Jinhua Co., Ltd.	RMB	113,616	101,771	6,327	5,876	63,646	57,111
169	Bank of Hainan Co., Ltd.	RMB	111,470	103,966	8,119	6,809	58,352	51,465
170	Zhejiang Leqing Rural Commercial Bank Co.,Ltd.	RMB	110,610	92,562	10,735	9,686	65,820	58,033
171	Liangshan Rural Commercial Bank Co.,Ltd.	RMB	109,210	100,790	6,672	6,056	57,469	46,629
172	Bank of Dazhou Co., Ltd.	RMB	108,414	94,545	8,021	7,532	63,433	49,280
173	Hebei Tangshan Rural Commercial Bank Co., Ltd.	RMB	104,406	101,549	6,245	6,072	65,098	58,844
174	Suining Bank Co.,Ltd.	RMB	103,653	67,914	7,435	6,137	64,133	42,066
175	Zhejiang Shangyu Rural Commercial Bank Co., Ltd.	RMB	103,273	85,615	7,083	6,625	62,516	53,946
176	Sichuan XWBank Co., Ltd.	RMB	102,934	84,820	7,445	6,434	75,842	63,385
177	Zhejiang Wenzhou Ouhai Rural Commercial Bank Co., Ltd.	RMB	98,479	85,152	7,421	6,997	63,131	55,837
178	Xuzhou Rural Commercial Bank Co., Ltd.	RMB	97,870	88,200	5,553	5,284	61,345	55,998
179	Ningbo Yuyao Rural Commercial Bank Co. Ltd.	RMB	97,698	81,879	6,781	6,016	57,341	48,463
180	Jiangsu Yixing Rural Commercial Bank Co.,Ltd.	RMB	95,583	86,305	6,283	5,961	64,086	58,216

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: "Total loans" was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then "total loans" was calculated based on the loan amounts reported in the balance sheet.
Note 2: "Total deposits" was calculated based on the deposit amounts reported in the balance sheet.

Total deposits		Operating income		Net interest income		Net fee income		Net profit attributable to the parent company		Cost-to-income ratio	
Unit: Million		Unit: Million		Unit: Million		Unit: Million		Unit: Million		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
43,184	39,645	1,281	1,679	1,643	2,131	161	112	432	400	31.17%	23.81%
107,725	95,294	1,919	709	1,459	544	(56)	(14)	374	169	45.13%	44.38%
78,507	69,893	4,501	4,065	4,558	4,679	(69)	(245)	1,051	1,005	21.41%	22.20%
80,884	74,621	1,112	1,161	751	916	(113)	(138)	210	217	75.13%	69.43%
94,389	80,245	2,006	1,828	1,921	1,639	51	10	419	399	32.09%	33.01%
85,223	73,102	1,932	1,566	1,308	1,342	(1,772)	(1,183)	405	343	34.73%	38.15%
102,749	91,740	1,359	1,076	348	494	15	8	271	121	49.19%	51.46%
81,255	73,731	1,923	1,939	553	779	46	52	541	449	52.67%	50.03%
69,869	63,825	2,216	1,800	1,850	1,542	74	50	502	470	34.86%	37.36%
85,995	73,731	2,595	2,627	2,097	2,327	(40)	(30)	1,300	1,259	27.65%	23.85%
96,659	89,249	2,314	2,228	2,074	2,054	(27)	(2)	808	903	43.32%	45.10%
73,601	60,637	1,774	1,910	1,741	1,958	26	8	392	465	34.56%	29.95%
82,220	78,210	1,925	1,862	738	985	17	5	453	423	35.06%	31.79%
72,842	50,080	2,900	1,889	2,614	1,719	(19)	(22)	1,278	671	21.54%	24.83%
84,830	73,217	1,840	1,734	1,509	1,473	(33)	(40)	577	525	31.13%	26.83%
60,214	49,065	5,489	3,644	4,947	3,685	164	(231)	1,010	681	18.70%	26.08%
81,750	69,090	1,511	2,511	2,007	2,016	(38)	(28)	698	732	64.23%	26.95%
86,764	79,894	1,807	1,689	902	874	(33)	(58)	380	258	49.93%	52.93%
84,695	69,024	1,607	1,540	1,173	1,193	(7)	14	665	588	33.35%	30.21%
83,360	74,981	1,736	1,723	1,050	1,129	(10)	(13)	423	359	34.68%	34.11%

	Name of bank	Currency	Return on average equity % (rounded to 2 decimal places) 2023	Return on average equity 2022	Net interest spread % (rounded to 2 decimal places) 2023	Net interest spread 2022	Net interest margin % (rounded to 2 decimal places) 2023	Net interest margin 2022
161	The Chinese Merchandise Bank, Ltd.	RMB	2.77%	2.65%	1.07%	1.43%	1.34%	1.69%
162	Leshan Rural Commercial Bank Co., Ltd.	RMB	6.21%	4.03%	1.23%	0.76%	1.32%	0.81%
163	Jiangsu Su Merchants Bank Co., Ltd.	RMB	16.27%	18.03%	3.90%	4.44%	4.41%	4.75%
164	Bank of Qinghai Co., Ltd.	RMB	2.17%	2.27%	0.50%	0.66%	0.68%	0.85%
165	Bank of Taian Co., Ltd.	RMB	5.17%	5.13%	1.80%	1.72%	1.88%	1.86%
166	Wuhan ZBank Co., Ltd.	RMB	7.77%	7.22%	3.09%	2.86%	3.28%	3.09%
167	Bank of Fushun Co., Ltd.	RMB	3.45%	1.59%	0.38%	Undisclosed	0.35%	Undisclosed
168	Bank of Jinhua Co., Ltd.	RMB	8.82%	7.85%	0.41%	0.71%	0.52%	1.76%
169	Bank of Hainan Co., Ltd.	RMB	6.72%	7.75%	1.95%	1.70%	1.90%	1.69%
170	Zhejiang Leqing Rural Commercial Bank Co.,Ltd.	RMB	12.73%	13.83%	1.86%	2.52%	2.09%	2.74%
171	Liangshan Rural Commercial Bank Co.,Ltd.	RMB	12.70%	15.95%	1.94%	2.14%	2.03%	2.21%
172	Bank of Dazhou Co., Ltd.	RMB	5.04%	6.34%	1.59%	2.02%	1.80%	1.82%
173	Hebei Tangshan Rural Commercial Bank Co., Ltd.	RMB	7.36%	7.04%	0.56%	0.87%	0.74%	1.07%
174	Suining Bank Co.,Ltd.	RMB	18.83%	11.58%	3.04%	2.79%	3.33%	3.56%
175	Zhejiang Shangyu Rural Commercial Bank Co., Ltd.	RMB	8.43%	8.16%	1.47%	1.73%	1.62%	1.93%
176	Sichuan XWBank Co., Ltd.	RMB	14.56%	11.17%	5.18%	5.04%	5.42%	5.25%
177	Zhejiang Wenzhou Ouhai Rural Commercial Bank Co., Ltd.	RMB	9.69%	11.10%	2.05%	2.39%	2.23%	2.57%
178	Xuzhou Rural Commercial Bank Co., Ltd.	RMB	7.00%	4.93%	1.77%	1.78%	1.77%	1.78%
179	Ningbo Yuyao Rural Commercial Bank Co. Ltd.	RMB	10.33%	10.24%	1.16%	1.43%	1.32%	1.60%
180	Jiangsu Yixing Rural Commercial Bank Co.,Ltd.	RMB	6.51%	7.13%	1.06%	1.34%	1.86%	2.04%

The data quoted in this report came from the 2023 and 2022 annual reports publicly released by various banks, their official websites, and Wind. Data that was unavailable at the time this report was finalised was excluded.
Note 1: “Total loans” was calculated by adding the loan amounts in the balance sheet and loan loss provisions measured at amortised cost; if this data was not available, then “total loans” was calculated based on the loan amounts reported in the balance sheet.
Note 2: “Total deposits” was calculated based on the deposit amounts reported in the balance sheet.

Non-performing loan (NPL) ratio		Allowance to total loans ratio		Provision coverage ratio		Capital adequacy ratio		Tier 1 capital adequacy ratio		Core tier 1 capital adequacy ratio	
% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)		% (rounded to 2 decimal places)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
2.54%	1.64%	4.79%	4.54%	188.75%	276.11%	19.29%	18.29%	18.10%	17.11%	18.10%	17.11%
1.58%	1.66%	2.62%	4.34%	162.25%	152.93%	11.99%	12.42%	9.60%	10.00%	8.28%	8.56%
1.17%	0.99%	2.01%	1.91%	171.33%	191.75%	11.63%	11.20%	10.76%	10.57%	10.76%	10.57%
2.68%	2.75%	4.15%	4.43%	154.47%	161.72%	13.82%	14.17%	13.38%	13.03%	13.38%	13.03%
1.22%	1.70%	2.45%	2.55%	201.76%	150.09%	13.12%	13.94%	12.00%	13.20%	8.93%	9.69%
1.73%	1.47%	4.29%	3.70%	248.04%	252.16%	10.67%	10.76%	Undisclosed	Undisclosed	9.52%	9.34%
Undisclosed	Undisclosed	5.61%	5.23%	Undisclosed	Undisclosed	12.53%	12.21%	9.82%	9.34%	9.82%	9.34%
1.09%	1.24%	2.20%	2.04%	200.49%	163.57%	11.65%	11.47%	8.77%	8.99%	8.77%	8.99%
1.62%	1.65%	4.86%	3.65%	299.13%	221.06%	11.91%	11.57%	10.75%	10.39%	8.02%	8.84%
0.85%	0.89%	4.55%	5.01%	533.63%	551.50%	17.36%	18.30%	16.25%	17.19%	16.25%	17.19%
1.70%	1.74%	3.24%	3.37%	190.95%	193.16%	12.55%	12.63%	11.40%	11.52%	11.40%	11.52%
1.92%	1.92%	2.89%	2.93%	150.50%	152.79%	10.97%	12.22%	10.23%	11.46%	9.62%	11.46%
2.85%	2.91%	4.63%	4.60%	162.51%	158.03%	11.26%	12.63%	8.81%	Undisclosed	8.81%	9.56%
0.94%	1.55%	2.51%	3.14%	266.83%	202.56%	13.08%	13.03%	Undisclosed	Undisclosed	10.27%	11.91%
0.89%	0.87%	3.28%	3.10%	370.31%	354.82%	13.50%	14.18%	10.82%	11.29%	10.82%	11.29%
1.71%	1.73%	3.33%	3.22%	194.63%	186.65%	11.54%	12.28%	10.45%	11.17%	10.45%	11.17%
0.93%	0.89%	3.36%	3.95%	362.20%	449.22%	15.12%	16.48%	12.23%	13.44%	12.22%	13.36%
2.21%	2.61%	3.73%	4.02%	168.93%	153.98%	11.34%	11.64%	Undisclosed	Undisclosed	10.18%	10.49%
0.66%	0.66%	3.85%	3.92%	581.07%	590.62%	15.07%	15.63%	11.37%	12.37%	11.37%	12.37%
1.64%	1.80%	4.60%	4.61%	280.86%	255.61%	11.38%	11.74%	10.21%	10.57%	10.21%	10.57%

Contact us

Tony Cheung
Head of Financial Services
KPMG Asia Pacific and China
+86 (21) 2212 2705
tony.cheung@kpmg.com

Thomas Chan
Head of Financial Services Assurance
KPMG China
+86 (10) 8508 7014
thomas.chan@kpmg.com

Sam Shi
Head of Banking
KPMG China
+86 (10) 8508 7112
sam.shi@kpmg.com

Reynold Liu
Head of Management Consulting
CTO & Head of Innovation
KPMG China
+86 (21) 2212 3626
reynold.jg.liu@kpmg.com

Jia Ning Song
Head of Advisory,
Head of Banking and Capital Markets,
Hong Kong
KPMG China
+86 (852) 2978 8101
jianing.n.song@kpmg.com

Larry Choi
Head of Financial Services,
Southern China
KPMG China
+86 (755) 2547 3388
larry.choi@kpmg.com

Tracey Zhang
Financial Services Leader, Tax
KPMG China
+86 (10) 8508 7509
tracy.h.zhang@kpmg.com

Daniel Zhi
Head of Financial Strategy Consulting
KPMG China
+86 (21) 2212 3123
daniel.zhi@kpmg.com

Carol Hong
Partner, Financial Strategy Consulting
KPMG China
+86 (21) 2212 2770
carol.hong@kpmg.com

David Yang
Head of Financial Market Services and
Market Risk Management
KPMG China
+86 (10) 8508 7196
david.yang@kpmg.com

Kelvin Wang
Partner, Financial Strategy Consulting
KPMG China
+86 (20) 3813 7494
kelvin.q.wang@kpmg.com

Christy Ye
Partner, Financial Services
KPMG China
+86 (20) 3813 7822
christy.yh.ye@kpmg.com

Richard Zhang
Head of Cybersecurity and
Data Protection,
Financial Services
KPMG China
+86 (21) 2212 3637
richard.zhang@kpmg.com

Kevin Zhou
Partner, Cybersecurity and
Data Protection,
Financial Services
KPMG China
+86 (21) 2212 3149
kevin.wt.zhou@kpmg.com

Jessica Xu
Head of Governance, Compliance and
Risk Advisory,
Financial Services
KPMG China
+86 (10) 8508 5952
jessica.xu@kpmg.com

Kai Cui
Head of Financial Management
Consulting,
Financial Services
KPMG China
+86 (10) 8508 5403
kai.cui@kpmg.com

York Pang
Partner, Financial Management
Consulting,
Financial Services
KPMG China
+86 (10) 8508 7986
york.c.pang@kpmg.com

Rong Zheng
Head of Organisational and People
Change Advisory, Financial Services
KPMG China
+86 (21) 2212 3270
rong.zheng@kpmg.com

Cherry Zhang
Partner, Organisational and
People Change Advisory,
Financial Services
KPMG China
+86 (21) 2212 3616
cherry.l.zhang@kpmg.com

Silvester Liu
Head of CIO Advisory,
Banking and Asset Management
KPMG China
+86 (21) 2212 3352
silvester.liu@kpmg.com

Felix Chen
Head of Digital Enablement Advisory,
Financial Services
KPMG China
+86 (10) 8508 5433
felix.chen@kpmg.com

Phil Yu
Head of Technology Enablement Advisory,
Financial Services
KPMG China
+86 (21) 2212 3258
phil.yu@kpmg.com

Wayne Wang
Partner, Technology Enablement Advisory,
Financial Services
KPMG China
+86 (21) 5203 1497
wayne.w.wang@kpmg.com

Cathy Zhou
Partner, AML and Sanctions Regulatory Compliance
KPMG China
+86 (21) 2212 3289
c.y.zhou@kpmg.com

Hanhan Zhou
Director, Risk Consulting,
Financial Services
KPMG China
+86 (10) 8508 7893
hanhan.zhou@kpmg.com

Judy Zhang
Director, Organisational and People Change Advisory,
Financial Services
KPMG China
+86 (21) 3212 7391
judy.c.zhang@kpmg.com

Hank Zhang
Director, Digital Enablement Advisory,
Financial Services
KPMG China
+86 (10) 8508 5318
hank.zhang@kpmg.com

Matthew Chen
Director, AML and Sanctions Regulatory Compliance
KPMG China
+86 (21) 2212 3607
matthew.chen@kpmg.com

Arrow Chen
Associate Director, Risk Management Consulting,
Financial Services
KPMG China
+86 (10) 8508 5943
arrow.chen@kpmg.com

David Cao
Senior Manager, Financial Services, Tax
KPMG China
+86 (10) 8508 5932
david.cao@kpmg.com

Cole Zou
Associate Director, Financial Management Consulting,
Financial Services
KPMG China
+86 (10) 8508 4604
cole.zou@kpmg.com

Allen Wang
Associate Director, Organisational and People Change Advisory,
Financial Services
KPMG China
+86 (21) 5203 1441
allen.a.wang@kpmg.com

Leo Zhang
Associate Director,
CIO Advisory
KPMG China
+86 (571) 2803 8113
leo.y.zhang@kpmg.com

KPMG China Research Centre

Gary Cai
Head of Macroeconomic Research Institute of KPMG Research Center
+86 (21) 2212 3687
gary.cai@kpmg.com

Raymond Li
Partner, Financial Services,
KPMG Intelligence and Insights Center for Financial Services in China
+86 (10) 8508 7114
raymond.li@kpmg.com

Yuan Zeng
Associate Director,
KPMG China Research Center
+86 (10) 8508 4470
yuan.zeng@kpmg.com

Wei Wang
Associate Director,
KPMG China Research Center
+86 10 8553 3521
wei.w.wang@kpmg.com

Lorna Meng
Associate Director,
KPMG China Research Center
+86 (10) 8508 5053
lorna.meng@kpmg.com

Catherine Jin
Senior Researcher,
KPMG Intelligence and Insights Center for Financial Services in China
+86 (10) 8508 5394
catherine.jin@kpmg.com

Nicholas Zhao
Senior Researcher,
KPMG Intelligence and Insights Center for Financial Services in China
+86 (10) 8553 3517
nicholas.y.zhao@kpmg.com

kpmg.com/cn/socialmedia

For more information about KPMG China' s offices, scan this QR code or visit our website at:
https://home.kpmg/cn/zh/home/about/offices.html

Publication date: August 2024