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SHENGJING BANK CO., LTD.**

盛京銀行股份有限公司**

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

(Stock Code: 02066)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors of Shengjing Bank Co., Ltd. (the “**Bank**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries for the year ended 31 December 2023 prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board and the proposed dividend arrangement for the year of 2023. The Board and the audit committee have reviewed and confirmed the Annual Results.

The Annual Results are published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.shengjingbank.com.cn). The 2023 annual report of the Bank will be published on the above-mentioned websites in due course.

By order of the Board
Shengjing Bank Co., Ltd.**
SUN Jin
Chairman

Shenyang, Liaoning Province, China

28 March 2024

As at the date of this announcement, the executive directors of the Bank are Mr. SUN Jin, Ms. LIU Xu, Mr. WANG Yigong, Mr. ZHANG Xuewen* and Mr. HE Yixuan*; the non-executive directors of the Bank are Mr. SUN Zhenyu*, Mr. HE Peng*, Ms. YANG Xiu*, Ms. WANG Hongmei* and Mr. WANG Jun; and the independent non-executive directors of the Bank are Mr. WANG Mo, Ms. LV Dan, Mr. CHAN Pak Lam, Tom*, Ms. WANG Lan* and Mr. HUANG Weiqiang*.*

* *Such directors shall perform their duties upon the ratification of their eligibilities as directors by the Liaoning Bureau of the National Financial Regulatory Administration.*

** *Shengjing Bank Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.*

Contents

1.	Company Information	2	8.	Directors, Supervisors, Senior Management and Employees	73
2.	Financial Highlights	4	9.	Corporate Governance Report	93
3.	Message from the Chairman	7	10.	Report of the Board of Directors	124
4.	Honours and Awards	9	11.	Report of the Board of Supervisors	130
5.	Management Discussion and Analysis	11	12.	Social Responsibility Report	133
5.1	Analysis of Overall Operations	11	13.	Internal Control	135
5.2	Analysis of Financial Statements	13	14.	Independent Auditor's Report	136
5.3	Business Overview	45	15.	Financial Statements	145
5.4	Risk Management	56	16.	Notes to the Financial Statements	153
5.5	Future Outlook and Development Strategy	62	17.	Unaudited Supplementary Financial Information	305
6.	Significant Events	64	18.	Organisational Chart	309
7.	Change in Share Capital and Shareholders	65	19.	The Statistical Statements of All Operating Institutions of Shengjing Bank	310
			20.	Definition	323

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COMPANY INFORMATION

Legal Name in Chinese	盛京銀行股份有限公司
Abbreviation in Chinese	盛京銀行
Legal Name in English	Shengjing Bank Co., Ltd.
Abbreviation in English	SHENGJING BANK
Legal Representative	SUN Jin
Authorised Representatives	SUN Jin, ZHOU Zhi
Secretary to the Board of Directors	ZHOU Zhi
Joint Company Secretaries	ZHOU Zhi and KWONG Yin Ping, Yvonne
Registered and Business Address	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Contact Number	86-24-22535633
Website	www.shengjingbank.com.cn
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre No. 248 Queen's Road East, Wanchai, Hong Kong
Website of the Hong Kong Stock Exchange on which the H Share Annual Report is Published	http://www.hkexnews.hk/
Place of Maintenance of the Annual Report	Office of the Board of Directors of Shengjing Bank
Short Name	Shengjing Bank
Stock Code	02066

COMPANY INFORMATION (CONTINUED)**H Share Registrar and its Business Address**

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen’s Road East, Wanchai, Hong Kong

Legal Advisor as to the PRC Laws and its Business Address

Tian Yuan Law Firm
Unit 509, Block A, International Enterprise Building
35 Finance Street, Xicheng District, Beijing, China

Legal Advisor as to Hong Kong Law and its Business Address

Freshfields Bruckhaus Deringer
55th Floor, One Island East, Taikoo Place
Quarry Bay, Hong Kong

Auditor and its Business Address

Crowe (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2023	2022	2023 compared to 2022	2021	2020	2019
			Rate of Change (%)			
Operating Results						
Interest income	38,376,991	43,348,175	(11.5)	40,915,676	42,533,959	44,944,020
Interest expenses	(29,510,750)	(30,494,491)	(3.2)	(28,528,067)	(27,975,598)	(28,594,168)
Net interest income	8,866,241	12,853,684	(31.0)	12,387,609	14,558,361	16,349,852
Net non-interest income	1,173,584	3,299,427	(64.4)	3,079,002	1,708,452	4,657,415
Operating income	10,039,825	16,153,111	(37.8)	15,466,611	16,266,813	21,007,267
Operating expenses	(5,999,866)	(5,790,240)	3.6	(5,855,054)	(5,050,086)	(4,631,365)
Impairment losses on assets	(3,119,594)	(9,171,622)	(66.0)	(9,507,962)	(10,625,363)	(10,233,200)
Operating income	920,365	1,191,249	(22.7)	103,595	591,364	6,142,702
Profit before taxation	920,365	1,191,249	(22.7)	103,595	591,364	6,142,702
Income tax expense	(155,606)	(171,980)	(9.5)	327,288	640,577	(704,641)
Net profit	764,759	1,019,269	(25.0)	430,883	1,231,941	5,438,061
Net profit attributable to equity shareholders of the Bank	732,434	979,898	(25.3)	401,961	1,203,777	5,443,224

FINANCIAL HIGHLIGHTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	2023	2022	2023 compared to 2022	2021	2020	2019
			Change			
Calculated on a per share basis (RMB)						
Basic and diluted earnings per share	0.08	0.11	(0.03)	0.05	0.14	0.90
			Rate of Change (%)			
Major indicators of assets/liabilities						
Total assets	1,080,052,706	1,082,413,109	(0.2)	1,006,126,253	1,037,958,375	1,021,480,796
Of which: total loans and advances to customers ⁽¹⁾	477,876,799	613,362,329	(22.1)	586,032,668	547,062,557	457,202,375
Total liabilities	1,000,157,843	1,000,976,014	(0.1)	925,623,312	957,911,826	942,358,811
Of which: total deposits from customers ⁽¹⁾	761,154,553	771,566,101	(1.3)	737,032,942	681,404,747	641,428,191
Share capital	8,796,680	8,796,680	0.0	8,796,680	8,796,680	8,796,680
Equity attributable to equity shareholders of the Bank	79,330,169	80,774,185	(1.8)	79,879,402	79,451,932	78,555,532
Total equity	79,894,863	81,437,095	(1.9)	80,502,941	80,046,549	79,121,985
			Change			
Profitability indicators (%)						
Return on average total assets ⁽²⁾	0.07	0.10	(0.03)	0.04	0.12	0.54
Return on average equity ⁽³⁾	0.95	1.26	(0.31)	0.54	1.55	7.99
Net interest spread ⁽⁴⁾	1.14	1.40	(0.26)	1.39	1.55	1.59
Net interest margin ⁽⁵⁾	0.96	1.34	(0.38)	1.40	1.62	1.76
Net fee and commission income to operating income	1.46	1.64	(0.18)	2.78	4.23	5.50
Cost-to-income ratio ⁽⁶⁾	56.41	33.80	22.61	36.26	29.76	21.31
			Change			
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁷⁾	2.68	3.22	(0.54)	3.28	3.26	1.75
Provision coverage ratio ⁽⁸⁾	159.50	140.30	19.20	130.87	114.05	160.90
Allowance to total loans ⁽⁹⁾	4.27	4.52	(0.25)	4.29	3.72	2.82



FINANCIAL HIGHLIGHTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	2023	2022	2023 compared to 2022	2021	2020	2019
			Change			
Capital adequacy ratio indicators (%)						
Core tier-one capital adequacy ratio ⁽¹⁰⁾	10.42	9.86	0.56	10.54	11.07	11.48
Tier-one capital adequacy ratio ⁽¹⁰⁾	12.43	9.86	2.57	10.54	11.07	11.48
Capital adequacy ratio ⁽¹⁰⁾	14.12	11.52	2.60	12.12	12.23	14.54
Total equity to total assets ratio	7.40	7.52	(0.12)	8.00	7.71	7.75
			Change			
Other indicators (%)						
Loan-to-deposit ratio ⁽¹¹⁾	62.78	79.50	(16.72)	79.51	80.28	71.28

Notes:

- (1) Total loans and advances to customers do not include interest receivable, and total deposits from customers do not include interest payable.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by the total amount of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the non-performing loans.
- (9) Calculated by dividing the balance of provision for impairment on loans by the total amount of loans and advances to customers.
- (10) Core tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the guidance promulgated by the current NFRA (formerly known as the CBRIC) (effective from 1 January 2013).
- (11) Loan-to-deposit ratio is calculated by dividing the total amount of loans and advances to customers by total deposits from customers.



MESSAGE FROM THE CHAIRMAN

In 2023, facing the complex and severe international environment and the arduous and heavy tasks of domestic reform, development and stabilisation, China's national economy rebounded with an upward momentum and made solid progress towards high-quality development. 2023 is the starting year for Shengjing Bank to enter a new stage. With the strategic vision of "building a sound bank that benefits enterprises and the people", the whole Bank pursued a new concept, created a new style and shaped a new image, which stimulated the enthusiasm and initiative of all employees in the Bank to start a business and strengthened the vitality and internal driving forces of the Bank's development. As of 31 December 2023, the total asset of Shengjing Bank amounted to RMB1,080.053 billion, the total amount of loans and advances to customers amounted to RMB477.877 billion, the total amount of deposits from customers amounted to RMB761.155 billion, the operating income amounted to RMB10.040 billion, and the capital adequacy ratio rose to 14.12%.

Strengthening Party building to lead the construction of a new governance system. The Bank has deeply studied Xi Jinping's theory of socialism with Chinese characteristics for a new era, earnestly understood the spirit of the Central Committee's financial and economic work conference, implemented national economic policies and work deployment related to building a "strong financial country", and integrated the Party's leadership into various aspects of corporate governance and management. The party committee of the head office has played a leading role in politics by "setting the direction, managing the overall situation, and ensuring implementation". In accordance with the principle of "selecting the best and matching the structure reasonably", the election of the board of directors has been completed and senior management personnel have been reappointed. The working atmosphere and morale of the entire Bank have been renewed, gathering a strong positive energy of integrity, pragmatism, and hard work.

Adhering to returning to the origin and showing new responsibilities in serving the real economy. Through practicing the political and people-oriented nature of financial work, the Bank adjusted the industry layout according to the national macroeconomic policies and industrial development orientation, supported key projects, expanded the scope of "inclusive" benefits, increased the amount of high-quality project loans related to the "five major securities" of the country, and continuously gave play to the advantages of "Liao series" and "Sheng series" specialized products. The Bank supported small and micro enterprises in key areas such as technological innovation, high-end manufacturing, military-civilian integration, rural revitalization, and green environmental protection. With branch transformation as an important focus, we established characteristic branches such as "book-loving branches" and "technology branches", and set up pension and parent-child functional areas to provide citizens with valuable, warm, and quality financial services, truly becoming "the Bank of citizens, the Bank of the city".



MESSAGE FROM THE CHAIRMAN (CONTINUED)

Focusing on key tasks, making new breakthroughs in its business operations. In terms of assets, the Bank has strengthened its foundation and improved quality, carried out marketing in five major scenarios of pension, living, consumption, medical care, and services, with the total amount of personal loans exceeding RMB100 billion, an increase of RMB8.670 billion or 8.7% from the end of the previous year. On the liability side, we have strengthened its foundation and maintained its scale and optimized structure of deposits. Personal deposits have decreased in interest and increased in contribution, achieving differentiated deposit pricing and effectively reducing liability costs. The average interest rate for deposits in 2023 decreased by 13 basis points compared to 2022. In terms of risk management, the Bank has always adhered to the “prudent and steady” risk control strategy, established a full-cycle customer risk management system, and built a risk measurement management system. The overall risk management capability continues to improve, and the Bank’s non-performing loan ratio at the end of 2023 is 2.68%, a decrease of 54 basis points from the end of the previous year.

Reconstructing development strategy and taking new steps in transformation and development. With major reform measures such as optimizing equity structure and adjusting management team in place, the Bank has presented a new development situation. Standing at a new historical starting point, the board of directors has made important decisions and arrangements for the three-year strategic plan and comprehensive leadership of the Bank’s high-quality development from the perspective of strategic planning. Since the start of the strategic planning work, the Board has conducted sufficient communication and exchanges with management and employees at all levels, achieving good results in brainstorming and consensus building, further clarifying the Bank’s development direction, planning goals, and key measures. Next, the Board shall strengthen the dissemination and implementation of the strategic plan to ensure its effective implementation, and through the continuous promotion of the strategic plan, comprehensively enhance the Bank’s core competitiveness.

In the fierce competition, those who strive forward will take the lead; in the race of a thousand sails, the brave will emerge victorious. 2024 marks the 75th anniversary of the founding of the People’s Republic of China, a crucial year for achieving the goals and tasks of the “14th Five-Year Plan”, and the starting year for Shengjing Bank to implement its new development strategy. Standing at a brand new historical starting point and facing strategic opportunities and risks, the Board of Directors of Shengjing Bank will fully implement the decisions and arrangements of the state and local governments, adhere to its original intention and shoulder its mission, comprehensively win the overall battle of strategic transformation, the battle of reform and overcoming difficulties, and the enduring battle of serving the real economy, promoting Shengjing Bank to continue to move forward steadily and steadily.

SUN Jin
Chairman

HONOURS AND AWARDS

Titles of Honor and Award	Awarding Entity
Ranked 158th in the Top 1,000 Global Banks	The Banker magazine
China's Top 500 Enterprises	China Enterprise Directors Association, China Enterprise Confederation
Top 100 Chinese Banks (中國銀行業100強)	China Banking Association
Outstanding Asset Management City Commercial Bank (卓越資產管理城市商業銀行) Outstanding Cash Management Bank (Wealth Management Product) (優秀現金管理類理財產品) Excellent Wealth Management City Commercial Bank (卓越財富管理城市商業銀行) Outstanding Regional Service Private Bank (卓越區域服務私人銀行)	PY Standard
Market Influencer of the Year – Core Dealer (年度市場影響力機構 – 核心交易商) Market Influencer of the Year – Money Market Dealer (年度市場影響力機構 – 貨幣市場交易商) Market Innovation Award Business Institution – X-Repo (市場創新獎業務機構 – X-Repo)	National Interbank Funding Center
2023 Outstanding City Commercial Bank (2023年度卓越城市商業銀行)	21st Century Business Herald
Outstanding Credit Card of the Year (年度卓越信用卡) Retail Business Benchmarking Enterprise of the Year (年度零售業務標桿企業)	caijing.com.cn
Outstanding Public Relations (PR) Team of the Year (年度傑出公共關係(PR)團隊) Outstanding ESG Practical Enterprise of the Year (年度傑出ESG實踐企業)	Investor.org.cn
Local Brands for Annual contribution (年度在地貢獻品牌)	International Finance News
Outstanding City Commercial Bank Award (傑出城市商業銀行獎)	JRJ.com
Pioneer for Carbon Peak and Neutrality of Beautiful China (美麗中國雙碳先鋒)	Investment Times
Excellence in Service of Physical Bank in 2023 (2023年度卓越服務實體銀行)	WEMONEY Laboratory



HONOURS AND AWARDS (CONTINUED)

Titles of Honor and Award	Awarding Entity
The 17th Golden Cicada Award – 2023 Green Financial Service Institution (第十七屆金蟬獎2023年度綠色金融服務機構)	China Times
Service Innovation Cases of China Banking Industry (中國銀行業服務創新案例) Jinnuo – Micro-video Paradigm of Chinese financial brand (金諾·中國金融品牌微視頻典範)	CBIMC
ESG Green Finance Award in 2023	Jiemian
2023 Liaoning Financial Consumer Rights Protection Model Enterprise (2023遼寧金融消費者權益保護榜樣企業) 2023 Liaoning Integrity Finance Brand (2023遼寧誠信金融品牌) 2023 Financial Brand Recommended by National Alliance of Provincial Party Newspapers – Excellent Brand Influence Bank (2023年全國省級黨報聯盟推薦金融品牌-卓越品牌影響力銀行)	Liaoning Daily
The Most Trusted Bank in Liaoshen Area in 2023 (2023最受遼瀋地區百姓信賴銀行) The Most Recognized Wealth Management Products in Liaoshen Area in 2023 (2023最受遼瀋地區百姓認可的理財產品)	Liao Shen Evening News (遼瀋晚報)
Outstanding Case Award for Risk Management Innovation (風險管理創新優秀案例獎) Outstanding Case Award for Channel Construction Innovation (渠道建設創新優秀案例獎)	City Commercial Banks Clearing Co., Ltd.
2023 Excellent Comprehensive Business Institution (2023年度優秀綜合業務機構)	Shanghai Commercial Paper Exchange Corporation Ltd.



MANAGEMENT DISCUSSION AND ANALYSIS

5.1 ANALYSIS OF OVERALL OPERATIONS

In 2023, Shengjing Bank comprehensively strengthened the Party's leadership, thoroughly implemented the guiding principles of the Central Financial Work Conference and the Central Economic Work Conference, and focused on the strategic vision of "being a good bank benefiting businesses and people". Upholding its market positioning as an urban commercial bank, Shengjing Bank vigorously advanced transformation and development, and continuously boosted the capability of serving local economy, SMEs and urban and rural residents. These efforts have enabled the Bank to sustain solid operation, steadily improve risk control and further enhance sustainability.

Advancing "four transformations" in a coordinated manner, and sustaining steady progress in operation and development

During the Reporting Period, the Bank made all-out efforts to promote the transformation of operation, transformation of assets and liabilities, digital transformation and transformation of outlets, and increasingly reinforced the foundation of operation; it completed assets sales, and maintained sound operating indicators; it completed additional Tier 1 supplementary instruments amounting to RMB15 billion with the net capital exceeding RMB100 billion, effectively supporting operating transformation and business development. As of December 31, 2023, the Bank reported total assets of RMB1,080.053 billion, basically unchanged from last year; Core Tier 1 capital adequacy ratio was 10.42%, Tier 1 capital adequacy ratio was 12.43%, and capital adequacy ratio was 14.12%, up by 0.56, 2.57 and 2.60 percentage points from the end of last year, respectively.

Adhering to comprehensive risk management and steadily improving the asset quality

During the Reporting Period, the Bank adhered to a robust and prudent risk appetite and risk management strategy, and implemented a targeted credit policy aligned with macro economy and its development strategy. It intensified risk management empowered by technology, continued to improve the risk management system, refined the management modules for credit rating, line limits, risk alleviation and risk warning, and improved the intelligent control capability of the system. While strictly controlling incremental risks, it also stepped up the recovery and disposal of non-performing stock assets, and further boosted the capability of risk resistance. As of December 31, 2023, the Bank recorded a balance of non-performing loans of RMB12.806 billion, representing a decrease of RMB6.957 billion as compared with the end of last year; and a NPL ratio of 2.68%, down by 0.54 percentage point from the end of last year, and a provision coverage ratio of 159.50%, up by 19.2 percentage points from the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Efficiently supporting the construction of the real economy and continuing to make efforts in credit allocation

During the Reporting Period, the Bank was closely aligned with regional strategical orientations, and focused on the transformation of operation to serve overall economic development. As of December 31, 2023, the Bank focused on key areas, granting RMB9.029 billion of loans to manufacturing; it increased support for sci-tech innovation financing, granting RMB2.631 billion of loans to tech enterprises; it enriched the “Liao” and “Sheng” financial product series, granting RMB30.751 billion of inclusive loans; it introduced innovation to “Liao Carbon Loan”, a financial product, with green loans up by RMB3.348 billion from the end of last year; it sharpened the service edges in retail banking, with over RMB100 billion personal loans and RMB510 billion personal deposits.

Promoting changes in the management mechanism and enhancing the ability of fine management

During the Reporting Period, the Bank focused on development transformation, and worked to drive high-quality development. It actively implemented “five changes & two penetrations (五化兩沉)”, strived to improve the capacity and efficiency of fine management of its outlets through intensive, intelligent, comprehensive, standardised and specialised construction; and the work for “two penetrations”, i.e. the inclusive loans to small and micro enterprises and retail credit, was carried out in a precise and orderly manner. The Bank accelerated promotion across channels and enriched marketing means, advancing digital transformation at a faster pace. The Bank set up the Centralized Operation Center, centralizing and optimizing the authorization of eight major categories of business, and standardized outlet building and services.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2 ANALYSIS OF FINANCIAL STATEMENTS

5.2.1 Analysis of the Income Statement

In 2023, the Bank realized a net profit of RMB765 million, representing a year-on-year decrease of RMB255 million, or 25.0%, mainly attributed to the impact of the continuous lowering of LPR, decline of market interest rates, insufficient growth momentum of effective financing demand combined with asset repricing during the Reporting Period, the narrowing of the net interest margin in the whole industry, as well as the Bank optimizing risk preference management, adjusting the asset structure and balancing risk and return, resulting in a phased decline in operating income; at the same time, benefiting from strengthened risk control and non-performing disposal, optimised adjustment of asset structure, effective improvement of asset quality and year-on-year reduction in asset impairment losses.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Interest income	38,376,991	43,348,175	(4,971,184)	(11.5)
Interest expense	(29,510,750)	(30,494,491)	983,741	(3.2)
Net interest income	8,866,241	12,853,684	(3,987,443)	(31.0)
Net fee and commission income	146,523	264,272	(117,749)	(44.6)
Net trading (loss)/income	(564,610)	171,359	(735,969)	(429.5)
Net gains arising from investments	1,520,394	2,814,803	(1,294,409)	(46.0)
Other operating income	71,277	48,993	22,284	45.5
Operating income	10,039,825	16,153,111	(6,113,286)	(37.8)
Operating expenses	(5,999,866)	(5,790,240)	(209,626)	3.6
Impairment losses on assets	(3,119,594)	(9,171,622)	6,052,028	(66.0)
Pre-tax profit	920,365	1,191,249	(270,884)	(22.7)
Income tax expense	(155,606)	(171,980)	16,374	(9.5)
Net profit	764,759	1,019,269	(254,510)	(25.0)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.1 Operating income

In 2023, the Bank achieved an operating income of RMB10,040 million, representing a year-on-year decrease of RMB6,113 million, or 37.8%, mainly due to the continued lowering of LPR, the operation of market rates at a low level and changes in the asset structure caused the yield on assets to drop year-on-year and interest income to shrink year-on-year; the Bank enhanced cost control, and took a combination of measures to lower debt interest cost, resulted in a year-on-year decline in interest expense, which partially offset the decline in interest income. During the Reporting Period, gains on disposal of bond assets decreased year-on-year, and non-interest income declined year-on-year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Net interest income	8,866,241	12,853,684	(3,987,443)	(31.0)
Net non-interest income	1,173,584	3,299,427	(2,125,843)	(64.4)
Operating income	10,039,825	16,153,111	(6,113,286)	(37.8)

5.2.1.2 Net interest income

In 2023, the Bank achieved a net interest income of RMB8,866 million, representing a year-on-year decrease of RMB3,987 million or 31.0%, of which the year-on-year decrease in interest income was RMB4,971 million and year-on-year decrease in interest expense was RMB984 million.

The following table sets forth the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Interest income	38,376,991	43,348,175	(4,971,184)	(11.5)
Interest expense	(29,510,750)	(30,494,491)	983,741	(3.2)
Interest income	8,866,241	12,853,684	(3,987,443)	(31.0)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.3 Net interest spread and net interest margin

In 2023, the Bank recorded a net interest spread of 1.14%, representing a year-on-year decrease of 0.26 percentage point, and a net interest margin of 0.96%, representing a year-on-year decrease of 0.38 percentage point, mainly due to the facts: i) the continued lowering of LPR during the Reporting Period, inadequate effective demand for credit, repricing of loans and the falling prices of newly granted loans led to declines in granted loans and advance yield; ii) market rates operated at a low level, driving the yield on bond investment and other financial assets down and the overall yield on interest-earning assets down year-on-year; iii) the Bank always strengthen liability management at sound prices, and significantly cut the interest cost of deposits, resulting in a year-on-year drop in the interest-bearing rate on interest-bearing liabilities. As the decline in the yield on interest-earning assets was bigger than the decline in the interest-bearing rate on interest-bearing liabilities, the net interest spread narrowed year-on-year.

The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on interest-earning assets or the related average costs of interest-bearing liabilities for the periods indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	594,439,890	30,284,574	5.09	650,479,341	34,824,377	5.35
Financial investments	231,227,575	6,492,826	2.81	193,924,763	6,890,230	3.55
Deposits with Central Bank	68,027,241	976,869	1.44	72,401,531	1,039,001	1.44
Deposits and placements with banks and other financial institutions	13,900,420	317,067	2.28	16,833,067	198,681	1.18
Financial assets held under resale agreements	17,149,499	305,655	1.78	23,189,077	395,886	1.71
Total interest-earning assets	924,744,625	38,376,991	4.15	956,827,779	43,348,175	4.53



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Interest-bearing liabilities						
Borrowings from Central Bank	1,342,723	27,005	2.01	3,331,836	69,985	2.10
Deposits from customers	803,922,234	24,289,966	3.02	794,355,285	25,023,993	3.15
Deposits and placements from banks and other financial institutions	55,585,977	1,831,403	3.29	96,099,609	3,182,741	3.31
Financial assets sold under repurchase agreements	103,453,827	2,812,682	2.72	67,457,471	1,691,485	2.51
Debt securities issued	16,573,294	549,694	3.32	14,351,143	526,287	3.67
Total interest-bearing liabilities	980,878,055	29,510,750	3.01	975,595,344	30,494,491	3.13
Net interest income		8,866,241			12,853,684	
Net interest spread ⁽¹⁾			1.14			1.40
Net interest margin ⁽²⁾			0.96			1.34

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualized basis.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and interest rates for the periods indicated. Volume and interest rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2023 compared with 2022		
	Increase (decrease) Volume ⁽¹⁾	Due to Interest rate ⁽²⁾	Net increase (decrease) Net amount ⁽³⁾
Interest-earning assets			
Loans and advances to customers	(2,998,111)	(1,541,692)	(4,539,803)
Financial investments	1,324,250	(1,721,654)	(397,404)
Deposits with Central Bank	(62,990)	858	(62,132)
Deposits and placements with banks and other financial institutions	(34,605)	152,991	118,386
Financial assets held under resale agreements	(103,277)	13,046	(90,231)
Changes in interest income	(1,874,733)	(3,096,451)	(4,971,184)
Interest-bearing liabilities			
Borrowings from Central Bank	(41,771)	(1,209)	(42,980)
Deposits from customers	301,359	(1,035,386)	(734,027)
Deposits and placements from banks and other financial institutions	(1,341,001)	(10,337)	(1,351,338)
Financial assets sold under repurchase agreements	903,509	217,688	1,121,197
Debt securities issued	81,553	(58,146)	23,407
Changes in interest income expense	(96,351)	(887,390)	(983,741)
Changes in net interest income	(1,778,382)	(2,209,061)	(3,987,443)

Notes:

- (1) Representing the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.
- (2) Representing the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period.
- (3) Representing interest income or expense for the period minus interest income or expense for the previous period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.4 Interest income

In 2023, the Bank achieved an interest income of RMB38,377 million, representing a year-on-year decrease of RMB4,971 million or 11.5%, mainly due to the year-on-year decrease in the interest income from loans and advances to customers.

The following table sets forth the breakdown of the interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	of total (%)	2022	of total (%)
Loans and advances to customers				
Corporate loans (including discounted bills)	24,287,899	63.4	29,287,099	67.5
Personal loans	5,996,675	15.6	5,537,278	12.8
Sub-total	<u>30,284,574</u>	<u>79.0</u>	<u>34,824,377</u>	<u>80.3</u>
Financial investments	6,492,826	16.9	6,890,230	15.9
Deposits with Central Bank	976,869	2.5	1,039,001	2.4
Deposits and placements with banks and other financial institutions	317,067	0.8	198,681	0.5
Financial assets held under resale agreements	<u>305,655</u>	<u>0.8</u>	<u>395,886</u>	<u>0.9</u>
Total	<u>38,376,991</u>	<u>100.0</u>	<u>43,348,175</u>	<u>100.0</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. *Interest Income from Loans and Advances to Customers*

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In 2023, interest income of the Bank from loans and advances to customers amounted to RMB30,285 million, representing a year-on-year decrease of RMB4,540 million or 13.0%, and accounted for 79.0% of the total interest income, representing an decrease of 1.3 percentage points, which was mainly due to the year-on-year decrease in the average loan balance during the Reporting Period, resulting in a year-on-year decrease in the yield of loans.

The following table sets forth the average balances of the loans and advances to customers and the average yields of related interest income and loans and advances to customers for the years indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	491,450,977	24,287,899	4.94	556,534,790	29,287,099	5.26
Personal loans	102,988,913	5,996,675	5.82	93,944,551	5,537,278	5.89
Total	594,439,890	30,284,574	5.09	650,479,341	34,824,377	5.35

2. *Interest Income from Financial Investments*

In 2023, the Bank achieved interest income from financial investments amounting to RMB6,493 million, representing a year-on-year decrease of RMB397 million or 5.8%, which was mainly due to the downward impact of market interest rates during the Reporting Period, resulting in the decrease in the average yield of financial investments.

3. *Interest Income from Deposits with Central Bank*

In 2023, the Bank achieved interest income from deposits with Central Bank amounting to RMB977 million, representing a year-on-year decrease of RMB62 million or 6.0%, which was mainly due to the decrease in the average balance of the deposits with Central Bank as the deposit reserve ratio was lowered.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. *Interest Income from Deposits and Placements with Banks and Other Financial Institutions*

In 2023, the Bank achieved interest income from deposits and placements with banks and other financial institutions amounting to RMB317 million, representing a year-on-year increase of RMB118 million or 59.6%, which was mainly due to the increase in the average yield of deposits and placements with banks and other financial institutions.

5. *Interest Income from Financial Assets Held under Resale Agreements*

In 2023, the Bank achieved interest income from financial assets held under resale agreements amounting to RMB306 million, representing a year-on-year decrease of RMB90 million or 22.8%, which was mainly due to the decrease of average balance held under resale agreements.

5.2.1.5 *Interest expense*

In 2023, interest expense of the Bank amounted to RMB29,511 million, representing a year-on-year decrease of RMB984 million or 3.2%, which was mainly due to the fact that the Bank implemented the in-depth optimization and adjustment of business structure and vigorously reduced the interest cost of deposits. At the same time, the interest expense on deposits was reduced by RMB734 million year-on-year, the financing cost of banks was further lowered, and the interest expense of central bank borrowings, issuance of bonds, interbank and other financial institutions' deposits and placements and sales of repurchase of financial assets decreased by RMB250 million year-on-year.

The following table sets forth the breakdowns of the interest expense of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	of total (%)	2022	of total (%)
Borrowings from Central Bank	27,005	0.1	69,985	0.2
Deposits from customers	24,289,966	82.3	25,023,993	82.1
Deposits and placements from banks and other financial institutions	1,831,403	6.2	3,182,741	10.4
Financial assets sold under repurchase agreements	2,812,682	9.5	1,691,485	5.5
Debt securities issued	549,694	1.9	526,287	1.8
Total	29,510,750	100.0	30,494,491	100.0



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Interest Expense on Borrowing from the Central Bank

In 2023, the Bank's borrowing interest expense from the Central Bank amounted to RMB27 million, representing a year-on-year decrease of RMB43 million or of 61.4%, which was mainly due to the decrease in the scale and average cost of the Bank's borrowing from the Central Bank.

2. Interest Expense on Deposits from Customers

In 2023, interest expense on deposits from customers amounted to RMB24,290 million, representing a year-on-year decrease of RMB734 million or 2.9%, which was mainly due to the fact that the Bank continued to focus on cost control, lowered the board interest rate for many times, vigorously reduced the interest cost of deposits. The deposit interest rate decreased year-on-year.

The following table sets forth the average balance, interest expense and average cost for each of the components of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	152,560,565	2,378,434	1.56	165,315,238	2,407,165	1.46
Time	118,529,425	3,803,413	3.21	145,084,709	5,179,158	3.57
Sub-total	271,089,990	6,181,847	2.28	310,399,947	7,586,323	2.44
Personal deposits						
Demand	49,065,432	143,197	0.29	55,411,921	208,272	0.38
Time	483,766,812	17,964,922	3.71	428,543,417	17,229,398	4.02
Sub-total	532,832,244	18,108,119	3.40	483,955,338	17,437,670	3.60
Total deposits from customers	803,922,234	24,289,966	3.02	794,355,285	25,023,993	3.15

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

In 2023, interest expense of the Bank on deposits and placements from banks and other financial institutions amounted to RMB1,831 million, representing a year-on-year decrease of RMB1,351 million or 42.5%, which was mainly due to the decrease in average balance of deposits and placements from banks and other financial institutions.

4. Interest expense on financial assets sold under repurchase agreements

In 2023, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB2,813 million, representing a year-on-year increase of RMB1,121 million or 66.3%, which was mainly due to the increase in the average balance of financial assets sold under repurchase agreements of the Bank.

5. Interest expense on debt securities issued

In 2023, the interest expense of the Bank on debt securities issued amounted to RMB550 million, representing a year-on-year increase of RMB23 million or 4.4%, which was mainly due to an increase in the average balance of debt securities issued by the Bank.

5.2.1.6 Net Non-interest Income

1. Net Fee and Commission Income

In 2023, the Bank achieved a net fee and commission income of RMB147 million, representing a year-on-year decrease of RMB118 million or 44.6%, which is mainly due to the implementation of the fee reduction and concession policy of the Bank during the Reporting Period, and the expansion of sources of fee and commission income, leading to a year-on-year increase in commission income of letters of guarantees, letters of credit and the agency and custodian business. Meanwhile, the Bank actively promoted business transformation and broadened service scenarios, resulting in a year-on-year increase in fee and commission income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custody services fees	543,095	400,177	142,918	35.7
Settlement and clearing services fees	26,912	42,153	(15,241)	(36.2)
Bank card services fees	158,437	172,556	(14,119)	(8.2)
Fee and commission expense	(581,921)	(350,614)	(231,307)	66.0
Net fee and commission income	146,523	264,272	(117,749)	(44.6)



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Net Trading Loss*

In 2023, the Bank's net trading losses amounted to RMB565 million, representing a year-on-year increase of RMB736 million, mainly due to the increase in the cost of foreign exchange funds as a result of the Bank's expansion of foreign currency investment channels during the Reporting Period.

3. *Net Gains Arising from Investments*

In 2023, the net gains arising from financial investments of the Bank amounted to RMB1,520 million, representing a year-on-year decrease of RMB1,294 million or 46.0%, mainly due to the year-on-year decrease in net gains from disposal of bond assets during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Net gains on financial assets at fair value through profit or loss	700,780	675,623	25,157	3.7
Net gains on disposal of financial assets at fair value through other comprehensive income	747,186	577,342	169,844	29.4
Dividends from designated as financial assets at fair value through other comprehensive income	59,136	116,207	(57,071)	(49.1)
Net gains on disposal of financial assets measured at amortised cost	13,292	1,445,631	(1,432,339)	(99.1)
Total	1,520,394	2,814,803	(1,294,409)	(46.0)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.7 Operating Expenses

In 2023, the operating expenses of the Bank amounted to RMB6,000 million, representing a year-on-year increase of RMB210 million or 3.6%.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Staff costs	3,110,058	3,191,004	(80,946)	(2.5)
Tax and surcharges	336,641	331,254	5,387	1.6
Depreciation and amortization	572,299	590,467	(18,168)	(3.1)
Rental and property management expenses	139,755	147,255	(7,500)	(5.1)
Office expenses	318,381	296,100	22,281	7.5
Other general and administrative expenses	1,522,732	1,234,160	288,572	23.4
Total operating expenses	5,999,866	5,790,240	209,626	3.6



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Staff Costs

In 2023, staff costs of the Bank amounted to RMB3,110 million, representing a year-on-year decrease of RMB81 million or 2.5%, which was mainly due to the decrease in salaries, bonuses and allowances.

The following table sets forth the principal components of the staff costs of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	2,067,794	2,185,903	(118,109)	(5.4)
Pension and annuity	329,341	319,307	10,034	3.1
Other social insurance expenses	279,730	270,422	9,308	3.4
Housing allowances	181,873	174,464	7,409	4.2
Supplementary retirement benefits	1,531	5,119	(3,588)	(70.1)
Other staff benefits	249,789	235,789	14,000	5.9
Staff costs	3,110,058	3,191,004	(80,946)	(2.5)

2. Office Expenses, Rental and Property Management Expenses

In 2023, office expenses, rental and property management expenses of the Bank amounted to RMB458 million, representing a year-on-year increase of RMB15 million or 3.3%.

3. Depreciation and Amortisation

In 2023, depreciation and amortization expenses of the Bank amounted to RMB572 million, representing a year-on-year decrease of RMB18 million or 3.1%.

4. Other General and Administrative Expenses

In 2023, other general and administrative expenses of the Bank amounted to RMB1,523 million, representing a year-on-year increase of RMB289 million or 23.4%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.8 Impairment Losses on Assets

In 2023, the Bank's asset impairment losses amounted to RMB3,120 million, representing a decrease of RMB6,052 million or 66.0% year on year.

The following table sets forth the principal components of impairment losses on assets of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change (%)
Deposits and placements with bank and other financial institutions	(355,777)	402,850	(758,627)	(188.3)
Financial assets held under resale agreements	(1,178)	1,442	(2,620)	(181.7)
Loans and advances to customers	1,036,134	5,644,350	(4,608,216)	(81.6)
Financial investments	2,088,543	3,557,276	(1,468,733)	(41.3)
Credit commitment	(311,871)	(5,645)	(306,226)	N/A
Others	663,743	(428,651)	1,092,394	N/A
Total	3,119,594	9,171,622	(6,052,028)	(66.0)

5.2.1.9 Income Tax Expense

In 2023, the Bank's income tax expense amounted to RMB156 million



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2 Analysis of the Statement of Financial Position

5.2.2.1 Assets

As of 31 December 2023, total assets of the Bank amounted to RMB1,080.053 billion, representing a decrease of RMB2.360 billion or 0.2% as compared with that at the end of the previous year, mainly due to the optimization and adjustment of the asset structure. The principal components of our assets are (i) net loans and advances to customers (ii) financial investments and (iii) cash and deposits with Central Bank, which accounted for 46.0%, 42.3% and 7.0% respectively, of total assets of the Bank as of 31 December 2023.

The following table sets forth the composition of the Bank's total assets for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Assets				
Total loans and advances to customers	477,876,799	44.3	613,362,329	56.7
Interest receivable	38,692,307	3.6	44,612,261	4.1
Provision for impairment losses	(20,279,602)	(1.9)	(27,375,173)	(2.5)
Net loans and advances to customers	496,289,504	46.0	630,599,417	58.3
Financial investments ⁽¹⁾	457,161,176	42.3	329,611,560	30.5
Deposits with banks and other financial institutions	7,506,953	0.7	7,207,614	0.6
Cash and deposits with Central Bank	76,097,764	7.0	75,258,358	7.0
Financial assets held under resale agreements	3,099,878	0.3	9,377,937	0.8
Placements with banks and other financial institutions	9,591,254	0.9	6,232,027	0.5
Derivative financial assets	196,703	0.0	665,994	0.1
Other assets ⁽²⁾	30,109,474	2.8	23,460,202	2.2
Total assets	1,080,052,706	100.0	1,082,413,109	100.0

Notes:

- (1) Financial investments include financial assets at fair value through other comprehensive income, financial assets at amortised cost and financial assets at fair value through profit or loss.
- (2) Includes property and equipment, other receivables, deferred income tax assets and other assets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Loans and Advances to Customers

The total loans and advances to customers made by the Bank as of 31 December 2023 amounted to RMB477.877 billion, representing a decrease of RMB135.486 billion or 22.1% as compared with that at the end of the previous year, and accounted for 44.3% of the total assets, representing a decrease of 12.4 percentage points as compared with that at the end of the previous year. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Corporate loans				
– Corporate loans	308,103,841	64.5	421,013,363	68.6
– Discounted bills	61,223,282	12.8	92,469,152	15.1
Personal loans				
– Residential mortgage	53,510,771	11.2	56,976,280	9.3
– Personal consumption loans	35,024,031	7.3	25,408,964	4.1
– Credit cards	13,333,373	2.8	9,026,045	1.5
– Personal business loans	6,681,501	1.4	8,468,525	1.4
Total loans and advances to customers	477,876,799	100.0	613,362,329	100.0

Corporate loans constituted the largest component of the Bank's loan portfolio. As of 31 December 2023, the corporate loans (including discounted bills) of the Bank amounted to RMB369.327 billion, representing a decrease of RMB144.155 billion or 28.1% as compared with that at the end of the previous year, accounting for 77.3% of the total loans and advances to customers and representing a decrease of 6.4 percentage points as compared with that at the end of the previous year. This was mainly due to the fact that during the Reporting Period, the Bank took the high-quality development as the guideline for transformation, increased support to the real economy and key areas with "three services", and issued the first pledge loan for carbon emission rights in Liaoning Province; expanded cooperation with high-quality customers both in depth and width, and developed "Liao Trade Loan", "credit insurance financing" and other businesses; at the same time, the Bank optimized and improved the allocation of loan resources through asset sales and restructuring.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Personal loans offered by the Bank mainly include residential mortgage loans, personal consumption loans, credit cards and personal business loans. As of 31 December 2023, personal loans of the Bank amounted to RMB108.55 billion, representing an increase of RMB8.67 billion or 8.7% as compared with that at the end of the previous year, and accounted for 22.7% of total loans and advances to customers, representing an increase of 6.4 percentage points as compared with that at the end of the previous year. This was mainly due to the sustainable regional economic recovery, the growing tourism after the COVID-19 pandemic, the favorable policies for the real estate industry, and the sustained growth of the demand for personal consumption and credit card loans, scaling up the personal loan business.

1) Loans by type of guarantee

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As of 31 December 2023, the balance of loans guaranteed or secured by mortgages and pledges amounted to RMB409.25 billion, representing a decrease of RMB138.625 billion or 25.3% as compared with that at the end of the previous year, and accounted for 85.6% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by guarantee method as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Loans secured by mortgages	203,536,856	42.5	225,634,878	36.8
Loans secured by pledges	81,669,185	17.1	132,445,525	21.6
Guaranteed loans	124,043,636	26.0	189,794,466	30.9
Unsecured loans	68,627,122	14.4	65,487,460	10.7
Total loans and advances to customers	477,876,799	100.0	613,362,329	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Changes in provision for impairment on loans and advances to customers

As of 31 December 2023, the balance of provision for impairment on loans and advances to customers of the Bank amounted to RMB20,280 million, representing a decrease of RMB7,096 million or 25.9% as compared with that at the end of the previous year. As of 31 December 2023, the Bank's loan provision rate was 159.50%, representing an increase of 19.2 percentage points as compared with that at the end of the previous year.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023				As at 31 December 2022			
	Expected credit loss in the next 12 months	A lifetime expected credit loss-loans without credit impairment loss	A lifetime expected credit loss-loans with credit impairment loss	Total	Expected credit loss in the next 12 months	A lifetime expected credit loss-loans without credit impairment loss	A lifetime expected credit loss-loans with credit impairment loss	Total
Balance as at the beginning of the year	7,183,023	7,843,415	12,348,735	27,375,173	6,421,176	7,417,897	10,833,049	24,672,122
Transferred to:								
- to expected credit loss over the next 12 months	5,571	(136)	(5,435)	-	2,239	(156)	(2,083)	-
- to lifetime expected credit losses - not credit-impaired loans	(109,523)	594,749	(485,226)	-	(80,240)	611,595	(531,355)	-
- to lifetime expected credit losses - credit-impaired loans	(20,672)	(635,268)	655,940	-	(4,008)	(9,175)	13,183	-
Net (release)/charge for the year	(1,810,887)	(1,553,802)	4,607,901	1,243,212	843,856	(176,746)	5,076,850	5,743,960
Transfer out for the year	-	-	(7,841,229)	(7,841,229)	-	-	(2,700,152)	(2,700,152)
Write-offs for the year	-	-	(531,199)	(531,199)	-	-	(355,209)	(355,209)
Recoveries for the year	-	-	33,645	33,645	-	-	14,452	14,452
Balance as at the end of the year	<u>5,247,512</u>	<u>6,248,958</u>	<u>8,783,132</u>	<u>20,279,602</u>	<u>7,183,023</u>	<u>7,843,415</u>	<u>12,348,735</u>	<u>27,375,173</u>



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Financial Investments

As of 31 December 2023, the balance of financial investments (including financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments at amortised cost) of the Bank amounted to RMB457.161 billion, representing an increase of RMB127.55 billion or 38.7% as compared with those at the end of the previous year, and accounted for 42.3% of the total assets, representing an increase of 11.8 percentage points as compared with that at the end of the previous year.

The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Financial assets at fair value through profit or loss	105,916,358	23.5	128,735,653	39.9
– Bonds issued by policy banks	2,322,296	0.5	10,091	0.0
– Bonds issued by banks and other financial institutions	28,880,590	6.4	52,510,262	16.3
– Corporate entity bonds	1,357,963	0.3	1,196,226	0.4
– Investment management products managed by securities companies	73,355,509	16.3	75,019,074	23.2
Financial assets at fair value through other comprehensive income	86,001,373	19.0	44,636,404	13.8
– Government bonds	44,754,896	9.9	16,337,425	5.1
– Bonds issued by policy banks	21,717,568	4.8	13,145,472	4.1
– Bonds issued by banks and other financial institutions	778,894	0.2	3,048,825	0.9
– Corporate entity bonds	808,153	0.2	3,072,431	1.0
– Capital bonds with no fixed terms issued by commercial banks	1,072,640	0.2	1,090,000	0.3
– Equity investments	16,869,222	3.7	7,942,251	2.4
Financial investment measured at amortised cost	260,184,835	57.5	149,526,608	46.3
– Government bonds	20,006,787	4.4	30,509,415	9.4
– Bonds issued by policy banks	28,480,180	6.3	31,686,666	9.8
– Bonds issued by banks and other financial institutions	2,000,000	0.4	5,982,504	1.9
– Corporate entity bonds	179,426,068	39.7	3,500,883	1.1
– Investment management products managed by securities companies	2,920,856	0.6	4,428,102	1.4
– Investment management products under the trust scheme	33,340,269	7.4	79,276,722	24.5
Less: provisions for impairment of financial assets at amortised cost	(5,989,325)	(1.3)	(5,857,684)	(1.8)
Total	452,102,566	100.0	322,898,665	100.0



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1) Changes in the provision for financial assets at fair value through other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023				As at 31 December 2022			
	Expected credit loss in the next 12 months	A lifetime expected credit loss-loans without credit impairment loss	A lifetime expected credit loss-loans with credit impairment loss	Total	Expected credit loss in the next 12 months	A lifetime expected credit loss-loans without credit impairment loss	A lifetime expected credit loss-loans with credit impairment loss	Total
Balance as at the beginning of the year	2,186	–	1,297,851	1,300,037	889	–	696,978	697,867
Net charge/(release) for the year	1,778	–	(664,332)	(662,554)	1,297	–	1,477,438	1,478,735
Transferred out for the year	–	–	(633,519)	(633,519)	–	–	(876,565)	(876,565)
Balance as at the end of the year	<u>3,964</u>	<u>–</u>	<u>–</u>	<u>3,964</u>	<u>2,186</u>	<u>–</u>	<u>1,297,851</u>	<u>1,300,037</u>

2) Changes in the provision for financial assets at amortised cost

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023				As at 31 December 2022			
	Expected credit loss in the next 12 months	A lifetime expected credit loss-loans without credit impairment loss	A lifetime expected credit loss-loans with credit impairment loss	Total	Expected credit loss in the next 12 months	A lifetime expected credit loss-loans without credit impairment loss	A lifetime expected credit loss-loans with credit impairment loss	Total
Balance as at the beginning of the year	867,371	1,091,089	3,899,224	5,857,684	719,400	1,103,626	2,787,892	4,610,918
Transferred to:								
– to lifetime expected credit losses – not credit-impaired loans	(143,956)	143,956	–	–	–	561,279	(561,279)	–
– to lifetime expected credit losses – credit-impaired loans	(97)	–	97	–	(8,458)	(335,677)	344,135	–
Net charge/(release) for the year	881,118	1,276,566	593,412	2,751,096	156,429	(238,139)	2,160,251	2,078,541
Transferred out for the year	(1,295,558)	(375,183)	(948,714)	(2,619,455)	–	–	(831,775)	(831,775)
Balance as at the end of the year	<u>308,878</u>	<u>2,136,428</u>	<u>3,544,019</u>	<u>5,989,325</u>	<u>867,371</u>	<u>1,091,089</u>	<u>3,899,224</u>	<u>5,857,684</u>



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2 Liabilities

As of 31 December 2023, total liabilities of the Bank amounted to RMB1,000.158 billion, representing a decrease of RMB818 million or 0.1% as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers (ii) financial assets sold under repurchase agreements and (iii) deposits from banks and other financial institutions, accounting for 78.0%, 10.7% and 7.1%, respectively, with respect to the total liabilities.

The following table sets forth the components of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Borrowings from Central Bank	839,337	0.1	1,190,119	0.1
Deposits from customers	779,966,905	78.0	788,752,335	78.8
Deposits from banks and other financial institutions	71,233,034	7.1	52,716,547	5.3
Placements from banks and other financial institutions	17,970,859	1.8	2,838,696	0.3
Financial liabilities at fair value through profit or loss	–	–	2,421,778	0.2
Derivative financial liabilities	218,373	0.0	601,799	0.1
Financial assets sold under repurchase agreements	106,901,210	10.7	128,661,609	12.9
Debt securities issued	16,834,257	1.7	16,979,868	1.7
Other liabilities ⁽¹⁾	6,193,868	0.6	6,813,263	0.6
Total	1,000,157,843	100.0	1,000,976,014	100.0

Note:

- (1) Including settlement accounts, staff remuneration payable, deferred income, taxes payable, dormant accounts and other liabilities.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. *Deposits from Customers*

As of 31 December 2023, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB761.155 billion, with a decrease of RMB10.412 billion or 1.3% as compared with that at the end of the previous year, accounting for 76.1% of the total liabilities and representing a decrease of 1.0 percentage points as compared with that at the end of the previous year. Among them, personal deposits increased by RMB16.140 billion or 3.2% as compared with that at the end of the previous year. The main reason is that during the Reporting Period, the Bank firmly implemented the business principles of "customer-centric" and "five changes & two penetrations (五化兩沉)", promoted the expansion and capacity increase of electronic channels, made the ecological construction of scenarios and the digital operation more efficient, constantly optimized the issuance strategy of deposit products, and comprehensively advanced the branch quality management improvement project, with the aim to increase the scale, optimize the structure and reduce the cost in terms of personal deposits. Corporate deposits decreased by RMB15.762 billion and other deposits decreased by RMB10.789 billion compared with that at the end of the previous year. The main reason is that during the Reporting Period, the Bank focused on improving the quality of deposits, optimized product allocation, strengthen the construction of customer base, took advantage of the "product + rights and interests + service" portfolio, carried out pragmatic marketing of high-quality deposits, increased the proportion of green deposits and settlement deposits, and aggressively reduced high-cost and high-concentration deposits.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Corporate deposits				
Demand deposits	114,540,917	15.0	153,374,794	19.9
Time deposits	114,066,954	15.0	90,995,460	11.8
Sub-total	228,607,871	30.0	244,370,254	31.7
Personal deposits				
Demand deposits	36,895,430	4.8	45,902,116	5.9
Time deposits	481,908,473	63.4	456,761,908	59.2
Sub-total	518,803,903	68.2	502,664,024	65.1
Other deposits ⁽¹⁾	13,742,779	1.8	24,531,823	3.2
Total	761,154,553	100.0	771,566,101	100.0

Note:

(1) Mainly including pledged deposits.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023 Amount	As at 31 December 2022 Amount
Tier-two capital bond with fixed rate maturing in December 2032	4,999,057	4,999,057
Interbank certificates of deposits issued	11,835,200	11,980,811
Total	16,834,257	16,979,868

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB5 billion in the national inter-bank bond market on 27 December 2022. The term of maturity of such bonds is 10 years. The coupon rate is interest-bearing fixed rate of 4.80%. Interest on such bonds shall be paid once per year. Upon approval by the current NFRA (formerly known as the CBIRC), the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

As of 31 December 2023, the balance of certificates of interbank deposit issued by the Bank amounted to RMB11.835 billion.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2.3 Equity

As of 31 December 2023, the equity balance of the Bank amounted to RMB79.895 billion, representing a decrease of RMB1,542 million or 1.9% as compared with that at the end of the previous year. The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Share capital	8,796,680	11.0	8,796,680	10.8
Capital reserve	26,957,822	33.6	26,931,360	33.1
Surplus reserve	7,481,817	9.4	7,411,839	9.1
General reserve	14,830,687	18.6	14,797,531	18.2
Investment revaluation reserve	(2,346,078)	(2.9)	(1,274,532)	(1.6)
Provision reserve	111,686	0.1	1,239,049	1.5
Reserve on remeasurement of defined benefit liability	(32,943)	(0.0)	(28,848)	(0.0)
Retained earnings	23,530,498	29.5	22,901,106	28.1
Non-controlling interests	564,694	0.7	662,910	0.8
Total equity	79,894,863	100.0	81,437,095	100.0



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.3 Loan quality analysis

During the Reporting Period, the Bank continued to optimize the whole process of credit risk control. To promote the intelligent data and system construction and balance the risk, capital and income, the Bank strengthened risk monitoring and early warning, standardized post-credit management, and enhanced the ability to prevent and control credit risk. Besides, it steadily adjusted and optimized the structure of credit assets, took multiple measures, increased efforts in the collection and dispose, effectively improving the quality of assets and further consolidating the foundation for business development. As of 31 December 2023, the Bank's non-performing loan ratio was 2.68%, representing a decrease of 0.54 percentage point as compared with that at the end of the previous year. The provision coverage ratio was 159.50%, representing an increase of 19.2 percentage points as compared with that at the end of the previous year, and the ability to offset risk losses continued to increase.

5.2.3.1 Breakdown of loans by the five-category classification system

The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 31 December 2023, the balance of non-performing loans of the Bank amounted to RMB12.806 billion, and the non-performing loan ratio was 2.68%, representing a decrease of 0.54 percentage point as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	Of total (%)	Amount	Of total (%)
Normal	450,185,982	94.2	578,569,094	94.3
Special mention	14,885,253	3.1	15,030,746	2.5
Substandard	10,829,580	2.3	17,892,886	2.9
Doubtful	1,078,900	0.2	1,304,771	0.2
Loss	897,084	0.2	564,832	0.1
Total loans and advances to customers	477,876,799	100.0	613,362,329	100.0
Non-performing loan	12,805,564	2.68	19,762,489	3.22



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.3.2 Concentration of loans

1. Concentration in terms of Industry and Distribution of Non-performing Loans

During the Reporting Period, the Bank effectively implemented national strategies, boosted regional social development, better served the real economy, played a leading role in industry research value and investment guidance, continued to strengthen the construction of customer base and optimised loan structure. The following table sets forth the breakdown of loans and non-performing loans by industry as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023				As at 31 December 2022			
	Loan amount	Of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Wholesale and retail	118,223,777	24.8	5,937,606	5.02	146,667,851	23.9	11,291,091	7.70
Renting and business activities	72,446,420	15.2	595,518	0.82	92,009,229	15.0	925,345	1.01
Real estate	44,554,021	9.3	978,953	2.20	79,199,510	12.9	1,347,043	1.70
Manufacturing	29,502,683	6.2	1,064,105	3.61	35,796,852	5.8	2,398,842	6.70
Construction	10,718,448	2.2	320,416	2.99	35,248,613	5.7	522,512	1.48
Transportation, storage and postal services	5,470,225	1.1	139,158	2.54	4,924,427	0.8	149,010	3.03
Mining	3,343,213	0.7	23,000	0.69	1,463,022	0.2	19,597	1.34
Production and supply of electric power, heat, gas and water	2,854,364	0.6	38,573	1.35	2,997,032	0.5	653,318	21.80
Accommodation and catering	1,987,802	0.4	129,896	6.53	2,183,692	0.4	140,931	6.45
Household and other services	1,407,052	0.3	-	-	1,371,865	0.2	-	-
Culture, sports and entertainment	1,094,636	0.2	34,900	3.19	1,007,244	0.2	34,900	3.46
Agriculture, forestry, animal husbandry and fishery	949,178	0.2	84,328	8.88	618,572	0.1	40,552	6.56
Others	15,552,022	3.3	487,350	3.13	17,525,454	2.9	86,722	0.49
Discounted bills	61,223,282	12.8	-	-	92,469,152	15.1	-	-
Personal loans and advances	108,549,676	22.7	2,971,761	2.74	99,879,814	16.3	2,152,626	2.16
Total	477,876,799	100.0	12,805,564	2.68	613,362,329	100.0	19,762,489	3.22

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

As of 31 December 2023, loans provided to customers of (i) wholesale and retail (ii) renting and business activities (iii) real estate (iv) manufacturing and (v) construction represented the largest components of the Bank's corporate loans. As of 31 December 2023 and 31 December 2022, the balance of loans provided to the corporate customers in the five industries mentioned above in aggregate were RMB275.445 billion and RMB388.922 billion, respectively, accounting for 57.7% and 63.3%, respectively, with respect to the Bank's total loans and advances to customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Concentration in terms of Borrowers

Loans to the ten largest single borrowers The following table sets forth the borrowing amounts of the ten largest single borrowers as of 31 December 2023. As of the same date, all such loans were classified as normal loans:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023		
	Industry involved	Amount	Of total (%)
Customer A	Wholesale and retail	8,092,156	1.69
Customer B	Renting and business activities	7,601,000	1.59
Customer C	Real estate	6,139,900	1.28
Customer D	Renting and business activities	5,945,000	1.24
Customer E	Renting and business activities	5,543,730	1.16
Customer F	Manufacturing	5,510,900	1.15
Customer G	Real estate	5,186,309	1.09
Customer H	Real estate	5,130,000	1.07
Customer I	Renting and business activities	4,481,000	0.94
Customer J	Real estate	4,090,000	0.86

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Distribution of Non-performing Loans by Product Type

The following table sets forth the loans and non-performing loans by product type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023			As at 31 December 2022		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	369,327,123	9,833,803	2.66	513,482,515	17,609,863	3.43
Short-term loans	65,835,641	5,646,060	8.58	52,679,193	8,684,839	16.49
Medium and long term loans	242,268,200	4,187,743	1.73	368,334,170	8,925,024	2.42
Discounted bills	61,223,282	-	-	92,469,152	-	-
Retail loans	108,549,676	2,971,761	2.74	99,879,814	2,152,626	2.16
Mortgage loans	53,510,771	1,458,649	2.73	56,976,280	733,663	1.29
Personal business loans	6,681,501	145,723	2.18	8,468,525	389,745	4.60
Personal consumption loans	35,024,031	411,160	1.17	25,408,964	422,608	1.66
Credit card overdrawn	13,333,373	956,229	7.17	9,026,045	606,610	6.72
Total	477,876,799	12,805,564	2.68	613,362,329	19,762,489	3.22

As of 31 December 2023 and 31 December 2022, the non-performing loan ratio of the Bank was 2.68% and 3.22%, respectively.

As of 31 December 2023 and 31 December 2022, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 2.66% and 3.43%, respectively.

As of 31 December 2023 and 31 December 2022, the non-performing loan ratio of the Bank's retail loans was 2.74% and 2.16%, respectively.

5.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法試行) (effective since 1 January 2013) promulgated by current National Financial Regulatory Administration (formerly known as CBIRC). As of 31 December 2023, the Bank's core tier-one capital adequacy ratio was 10.42%, the tier-one capital adequacy ratio was 12.43%, and the capital adequacy ratio was 14.12%, which at all levels met the regulatory requirements.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023	As at 31 December 2022
Core capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,957,822	26,931,360
– Surplus reserve	7,481,817	7,411,839
– General reserve	14,830,687	14,797,531
– Investment revaluation reserve	(2,346,078)	(1,274,532)
– Provision reserve	111,686	1,239,049
– Retained earnings	23,530,498	22,901,106
– Qualifying portions of non-controlling interests	165,248	160,618
– Others	(32,943)	(28,848)
Core Tier-one Capital	79,495,417	80,934,803
Core Tier-one capital deductions	(1,697,075)	(385,544)
Net Core Tier-one Capital	77,798,342	80,549,259
Other Tier-one Capital-other tier-one capital instruments and their premiums	15,000,000	–
Net Tier-one Capital	92,798,342	80,549,259
Tier-two Capital		
– Qualifying portions of tier-two capital instruments issued	4,999,057	4,999,057
– Surplus provision for loan impairment	7,618,988	8,529,017
Net tier-two Capital	12,618,045	13,528,074
Total net Capital	105,416,387	94,077,333
Total risk weighted assets	746,552,852	816,537,283
Core Tier-one Capital adequacy ratio	10.42%	9.86%
Tier-one Capital adequacy ratio	12.43%	9.86%
Capital adequacy ratio	14.12%	11.52%



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.5 Segment Information

5.2.5.1 Summary of regional branches

The Bank mainly operates within China. 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating income for the year ended 31 December				Non-current assets ⁽¹⁾			
	2023		2022		31 December 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China Region	9,406,292	93.7	15,604,533	96.6	6,214,361	97.2	5,562,567	96.5
North China Region	618,819	6.2	219,340	1.4	161,645	2.5	186,339	3.2
Others	14,714	0.1	329,238	2.0	19,193	0.3	19,182	0.3
Total	10,039,825	100.0	16,153,111	100.0	6,395,199	100.0	5,768,088	100.0

Note:

- (1) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.5.2 Business segments

Since this year, the Bank has thoroughly implemented the “four focuses” and “four guarantees” business strategies and taken multiple measures to optimize the coordination mechanism and promote efficient interaction among business sectors. In 2023, the operating income of corporate business amounted to RMB6.873 billion, accounting for 68.5% of the total operating income. The operating income of retail banking business amounted to RMB2.749 billion, accounting for 27.4% of the total operating income. The operating income of treasury business amounted to RMB357 million, accounting for 3.6% of the total operating income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2023		2022	
	Amount	of total (%)	Amount	of total (%)
Operating income				
Corporate banking	6,873,037	68.5	11,365,990	70.4
Retail banking	2,749,142	27.4	3,955,685	24.5
Treasury business	357,005	3.6	789,484	4.8
Others	60,641	0.5	41,952	0.3
Total	10,039,825	100.0	16,153,111	100.0

5.2.6 Commitments of Off-balance Sheet Items

The following table sets forth the Bank’s credit commitments as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2023	As at 31 December 2022
Bank acceptances	33,522,247	65,229,705
Letters of guarantees	3,991,416	6,338,078
Letters of credit	9,879,151	7,681,241
Unused credit card commitments	22,376,738	19,231,905
Total	69,769,552	98,480,929



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3 BUSINESS OVERVIEW

5.3.1 Corporate Banking Business

Adhering to the general tone of “making progress while maintaining stability”, with the primary task of achieving high-quality development, the Bank actively responded to market changes, built up a solid foundation for business development, thoroughly practiced transformation and development by striving to increase customers, optimizing structures, refining products coupled with feature buildings. Being committed to returning to the essence of business and focusing on the main business, the Bank deepened the asset and liability management transformation, optimized corporate deposit structure, increased credit granting, strengthened the construction of high-quality customer base, improved the corporate product system, completed risk prevention system thus to serve the development of the real economy in an all-rounded way and further inject vitality into finance. The overall corporate banking has shown a steady development with good momentum, with significant improvement in development quality and efficiency, resulting an improved and stabilized operation with quality and efficiency and increased momentum for sustainable development.

5.3.1.1 Corporate Deposits

Guided by cost control and stability, the Bank managed the balance of volume and price for its debt business. The Bank continuously consolidated the deposit foundation, enhanced corporate deposit operation capabilities, strengthened debt quality management, set reasonable deposit interest rates, and alleviated pressure from net interest margins narrow-down through measures such as deepening customer operation, expanding product coverage, and strengthening performance evaluation guidance. The Bank focused on the core deposit business, optimized debt structure, firmly reduced the high-concentration and high-cost deposits, continuously lowering deposit interest rates, contributing to cost reduction on the liability side. The Bank consolidated its core deposit foundation by striving to maintain growth momentum, leveraging its strengths, and redoubling its efforts in expanding institutional customer deposits and settlement deposit, with view to increasing the proportion of green deposits and settlement deposits. Efforts in key customer, account, and qualification-focused marketing have shown significant effectiveness. In addition, the Bank expanded coverage in settlement product services, aiming to build a closed-loop ecosystem for healthy and sustainable development of corporate deposits. Adhering to the “customer-centered” business philosophy, the Bank deeply constructed an organized customer group management strategy and implemented the “grandiose rivers” expansion plan. Focusing on national strategy, regional planning and industrial policy, the Bank actively engaged in marketing central and local state-owned enterprises, listed and proposed listed companies, leading enterprises in state-level industries and leading enterprises in local characteristic industries. The Bank deeply cultivated core players in the key industry chain, and actively expanded high-quality customers both upstream and downstream of core enterprises. As of 31 December 2023, the corporate deposits balance was RMB228.608 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.1.2 Corporate Loans

The Bank always unwaveringly practiced the financial works orienting political and the mass nature by continuously improving its professionalism, and shouldering a responsibility for the overall economic and social development in the new era. The Bank comprehensively strengthened proactive financial supply, closely followed policy guidance, targeted key areas, leveraged its advantages and specialties, promoted product innovation, focused on key initiatives, and continuously enhanced a sense of responsibility and mission to support the development of the real economy. The Bank promptly implemented the work arrangements from various levels of government by introducing multiple specific working measures with progress achieved by itemized projects. It particularly focused on local advantageous industrial clusters, increased precision in credit allocation, and provided efficient, professional, and comprehensive financial services to facilitate high-quality development of regional economy. The Bank firmly anchored itself in the high-quality customer base with regional characteristics, optimized credit resource allocation, and continuously cultivated key areas such as scientific and technological innovation, advanced manufacturing, green development and rural revitalization. The Bank deeply participated in the construction of a modern industrial system, achieved effective implementation of key infrastructure construction and manufacturing transformation and upgrading projects; created products to address the financing challenges for technology and innovation companies, promoted self-reliance in science and technology; provided “one enterprise, one policy” service for central-local enterprise cooperation, supported the reform of state-owned assets and enterprises; optimized the financing environment for private enterprises, promoted the growth and expansion of the private economy; intensified financial support for agriculture, and comprehensively promoted rural revitalization. It also innovated in green financial services, and empowered green and low-carbon development. The Bank continued to build a comprehensive financial service system covering all products, processes, and the entire lifecycle. As of 31 December 2023, the balance of corporate loans was RMB308.104 billion.

5.3.1.3 Transaction banking

The Bank accurately grasped the “timing” and “momentum” of macroeconomic development, contributing financial strength to the regional economic and social development. Adhering to the market positioning of “serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents”, it deepened product application and model innovation, expanded customer acquisition channels, gave full play to the advantages of the “chain-based” finance business, proactively integrated into the new pattern of inclusive development, and significantly improved the asset scale and income-generating capacity of different business lines, achieving an innovative and quality growth of transaction banking business into scale, innovation and quality. As of 31 December 2023, the balance of the on/off balance assets of the transaction banking of the Bank amounted to RMB37,295 million, and the revenue from the transaction banking intermediary business amounted to RMB238 million, representing a year-on-year increase of 71.2%.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.2 Retail Banking Business

The Bank steadfastly implemented the market positioning of “the bank of the citizens and the bank of the city”, actively promoted the “four transformations” and made every effort to provide the “four guarantees”. It focused on the transformation of high-price liabilities, the establishment of scenario ecosystems, personalized customer operation, outlet transformation and upgrading, safeguarding consumer rights and interests, and enhancing team capabilities, and continuously promoting the high-quality development of retail banking business.

5.3.2.1 Personal Deposits

The Bank consistently reduced interests payout and promoted the ongoing optimization of the deposit structure through measures such as deposit categorization management, product innovation, and increased efforts in customer expansion. The Bank persisted in the dominant position of low-cost deposit growth, continued to strengthen control over high-cost deposits, increased the proportion of current deposits, and promoted the transformation towards high-price liabilities. It focused on the combination of “products + rights and interests + services” to ensure that deposits operate with better quantity and higher quality. Firstly, explored new product sales models and continue to innovate deposit products. This year, the “Orange Growth Time-Mengwa Series” (橙長光陰—萌娃系列) products initially introduced, and the Dream Certificates of Deposit and Happy Card received enthusiastic social response; nationally pioneering the “24 Solar Terms Certificate of Deposit (24節氣存單)” featuring traditional Chinese cultural elements, innovating a deposit certificate issuance model based on collection, which gained significant attention on We Media network, with customers spontaneously posting, commenting, and received more than ten thousand of likes. Secondly, built scenario ecosystem and officially operated a scenario benefits platform, and use the scenario benefits platform as a link to drive scale growth; the Bank established “Point Reward Mall(積分商城)” system, launched special areas for Wellness Zone and Parent-Child Zone and “Kaixin (開薪)” Zone, and conducted a series of marketing activities. By creating a local life circle and organically combining the surrounding community’s clothing, food, entertainment, and transportation with the high-frequency ecology and resource ecology relevant to the people, the Bank expanded its “financial and non-financial” cross-border scenes opened up online and offline integrated marketing. Thirdly, by enhancing the professional capabilities of the team, improving the ratio of certified professional qualifications, and reinforcing training in new business and new products, providing compliance-specific training and disseminating the latest strategies, the Bank achieved a transformation from product sales to comprehensive customer services and provided customers with multi-dimensional financial and non-financial services. As of 31 December 2023, the balance of personal savings amounted to RMB518,804 million, representing an increase of RMB16.140 billion or 3.2% as compared with that at the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.2.2 Personal Loans

The Bank actively implemented national housing credit policies, tailored measures according to specific conditions of different cities to support both rigid and improved housing demand, optimized the mortgage loan business process, strengthened business innovation, and actively promoted comprehensive loan service of “transfer with mortgage (帶押過戶)” for individual re-trading of houses, thus becoming the first online Bank of “transfer with mortgage (帶押過戶)” in Shenyang. The Bank quickly responded to the housing loan interest rate adjustment policy, benefiting nearly 80,000 customers and involving a loan amount of more than RMB30 billion; in support of expanding domestic demand, the Bank continuously broadened the coverage of consumer loan products, and promoted the expansion of scenarios, as well as introduced measures to reduce fees and provide benefits for residents, which further alleviated the financial burden on consumers, helping unlock consumption potential. The Bank also continued its digital transformation, reinforcing technological empowerment, and consistently improving the construction of digital risk control capabilities. It successfully launched and operated the automatic retail credit approval system, enhanced the “Wind Shield (風盾)” big data decision engine system, significantly elevating digital risk control capabilities. As of 31 December 2023, the balance of the Bank’s personal loan amounted RMB108.55 billion, representing an increase of RMB8.67 billion or 8.7% compared with the end of last year.

5.3.2.3 Personal Customers

The Bank is customer-centric, organically integrating online and offline operations, solidly promotes customer hierarchy management and upgrading customer segmentation marketing. Differentiated operation measures are adopted to enhance customer stickiness, increase customer comprehensive value contribution, and achieve rapid growth in the individual customers and its total assets balance. As of 31 December 2023, the Bank has a total of 29.5875 million individual customers, including 13.8662 million first-class customers, with an annual net increase of 0.354 million. The number of the Bank’s wealth management customers is 302,900, increasing by 24,000 compared with the end of last year, maintaining a continuous growth trend.

5.3.2.4 Wealth Management

The Bank improved the overall planning of its wealth management business to assist customers in preserving and increasing their assets. Firstly, it consistently optimized the product system, establishing a diverse product line including self-managed wealth management, funds, insurance, precious metals, and other categories, and introduced reputable institutions and high-quality products to meet the wealth management needs of customers. Secondly, it achieved full life-cycle management of agency sales products and institutions, improved the evaluation mechanism for cooperative institutions and implemented dynamic tracking management. Thirdly, it made real-time adjustments to product marketing strategies, focused on asset allocation, and implemented a comprehensive set of product marketing portfolio tools. Fourthly, it enhanced the customer wealth management service experience and it won the “Excellent Wealth Management City Commercial Bank (卓越財富管理城市商業銀行)” and “Excellent Regional Service Private Bank (卓越區域服務私人銀行)” awarded by Golden Prestige Award in 2023 by PY Standard (2023年普益標準金譽獎).



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.2.5 Debit Cards

The Bank continued to enrich the types and functions of bank cards, catering to the specialized management of customer hierarchy and segmentation. It innovatively issued the “Orange Growth Time (橙長光陰)” card, continuously optimized the issuance of the “Life Accompanied by Shengjing (盛享人生)” card, “Salary” card, military card, social security card, etc. Tailored exclusive benefits and exclusive financial services were provided for special target groups such as the elderly, children, payroll, military personnel, and social security, providing personalized financial services. As of 31 December 2023, the Bank issued 20.4402 million debit cards in total, representing an increase of 683,800 compared to that at the end of the previous year, with a total consumption value of RMB24.172 billion.

5.3.2.6 Assets Management

The Bank’s asset management business, with the goal of preserving and appreciating customer assets, adhered to the operating philosophy of “making progress while maintaining stability”, dedicated to provide clients with safe, reliable, and trustworthy financial products. In terms of products, the Bank actively optimized the product portfolio configuration, increased market-timing trading frequency, steadily improved product returns, effectively boosted investor confidence, and simultaneously promoted the transformation and upgrade of product channels. The Bank achieved 24/7 quick redemption for cash products, optimized the display of mobile banking functions, and made efforts to enhance the overall customer experience. In terms of investments, through a “diversified” investment strategy, the Bank closely followed national key development strategies, actively leveraged its advantages of asset management business, proactively invested in rural revitalization bonds, green financial bonds, and bonds for innovative and specialized projects, which effectively supported the development of the real economy. The Bank also continued to strengthen comprehensive risk management and internal control compliance construction for our asset management business in order to achieve stable, healthy, and high-quality development of our asset management business. In 2023, the Bank won the “Excellent Wealth Management City Commercial Bank (卓越資產管理城市商業銀行)” and “Outstanding Cash Management Bank (Wealth Management Product) – Tiantianhao Series Wealth Management Products (優秀現金管理類銀行理財產品–添天好系列理財產品)” awarded by 2023 Golden Prestige Award (金譽獎) by PY Standard. During the meeting of “China Asset Management Forum – 2023 Oriental Fortune Summit (中國資產管理論壇–2023東方財富風雲際會)”, the Bank was honored to receive the “2023 City Commercial Bank Asset Management Excellence Award (2023年度城市商業銀行資管風雲獎)”. In the evaluation results for high-quality development of members of the interbank domestic currency market for the year 2023 (2023年度銀行間本幣市場成員高質量發展評價成果) by the National Interbank Funding Center, the Bank was honored as the “Market Progress Institution (市場進步機構)”, being one of the only three bank asset management institutions on the list, which signified a continual elevation in the brand value of “Good Bank, Good Financial Management.” As of 31 December 2023, the scale of wealth management products amounted to RMB39.044 billion with a realized intermediary business revenue of RMB0.201 billion.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.3 Capital business

For capital business, the Bank followed the direction under the bank-wide business strategies, implemented a strategy focused on increasing revenue, expanding channels, and strengthening services, and with enhancing profitability as the core, it strengthened its effort to secure new source of income and cut costs, implemented cost reduction and efficiency enhancement in order to create a new horizon for the development of the financial market. Firstly, restructuring the asset portfolio, laying the foundation for business transformation and development. The Bank strengthened the construction of product system, expanded into international financial markets, and innovatively engaged in U.S. bond trading, and realised lucrative spread returns through swing trading; maintained its advantage over RMB bond trading, with the trading volume of the whole year increasing by 43% year-on-year, resulting in further increasing the activities within the market, leading the Bank to be recognized by the Foreign Exchange Trading Center as the “Annual Market Influential Institution (年度市場影響力機構)” and “Market Innovation Business Institution (市場創新業務機構)”; strengthened its own professionalism, transformed the research results of the investment and research team into operational achievements, and reinforced the trading team’s strategic research and market operation. Secondly, strengthening channel construction, establishing a community of interest with peer institutions. A group for exchanging information among peer institutions was established, strengthening the output of investment and research results, transforming the Bank’s investment experience and investment and research results, releasing the Bank’s viewpoints and opinions to the market and establishing communication channel among peer institutions and fostering mutual business support to enhance the Bank’s influence; the Bank better achieved the resource integration by externally exploring the concerns of peer institutions, strengthening business cooperation and resource exchange, consolidating peer relationships; initiated USD bond repurchase operations, diversifying its channels for sourcing funds. Thirdly, strengthening business guidance, enhancing the overall service level. The Bank improved the system and processes for agency business, established an agency business management system, reinforced integrated product creation, expanded the pool of trading counterparts, enriched comprehensive marketing methods, and contributed to the overall marketing efforts for foundational clients across the Bank.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4 Specialized institutions and subsidiaries

5.3.4.1 Financial service center for Small Business

Centering on the strategic vision of “being a good bank that benefits enterprises and people”, the financial service center for small businesses of the Bank actively embodied the political and people-oriented nature of inclusive financial work, continuously improved the professionalism, coverage, accessibility, and satisfaction of financial services. Firstly, the Bank actively fulfilled its social responsibilities, and implemented the “Shengjing Bank ‘Starry Sea’ Plan: Comprehensively Promoting the Three-Year Action Plan for Inclusive Financial Strategic Transformation” to improve top-level design in terms of goals, models, resources, incentives, and safeguards within the overall framework of the Bank’s long-term development strategy. The Bank issued the “Guiding Opinions on Inclusive Finance in 2023” to promote the steady development of inclusive business by accelerating the establishment of long-term mechanisms, balancing the relationship between increasing credit supply, optimising credit structure, and preventing and controlling credit risks. Secondly, the Bank adhered to a “three-in-one” strategy encompassing science and technology finance, agriculture-related finance, and chain-based finance, and positioned itself based on the economic and industrial development characteristics of each branch’s region. It precisely served technology-oriented enterprises for healthy development, contributed to rural revitalization in the new era, and provided services to small and micro-enterprises along the “industrial chain” and “supply chain” of core enterprises. The Bank deepened and thoroughly conducted its operations to create a differentiated service advantage. It resonated with and moved in the same direction as the government’s policies to stabilize the overall economy, accelerated the development of inclusive financial services, and supported the growth of more small and micro-enterprises. Thirdly, the Bank further intensified efforts in the research and development of new products in the “Liao Series.” On the basis of the existing products of “Liaoning Sci-tech Loan (遼科貸)”, “Liaoning IP Loan (遼知貸)” and “Liaoning Trade Loan (遼貿貸)”, it successively introduced specialized products like “Liaoning Agriculture Loan (遼農貸)” for customers engaging in AFR, “Liaoning Stock Loan (遼股貸)” for enterprises with intentions for capital market financing, and “Liaoning Culture Loan (遼文貸)” for cultural enterprises, effectively playing the role of a financial mainstay in serving the real economy and supporting local development. Fourthly, the Bank successfully executed the digital transformation of inclusive finance. The year 2023 marked the first year of the financial service center for small businesses transition from technological empowerment to productive capacity. Online products such as “Real estate e Loan (房易貸)”, “Shengjing Chain Loan (盛鏈貸)”, “Shengjing Industry Loan (盛產貸)” were launched one after another, among which, the product “Real estate e Loan (房易貸)” launched in early 2023 has become another flagship in customer acquisition product following the “Tax e Loan (稅易貸)”, further meeting the high-frequency and rapid financing needs of inclusive small and micro customers.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4.2 Credit card center

Under the leadership of the new Party Committee, the Credit Card Center of the Bank, focusing on profit centers, with a dual focus on operations and management, continuously expanded the scale of credit card assets and the number of active customers. As a result, there has been steady progress in development, and the center's revenue and profitability have strengthened. Firstly, by actively implementing asset transformation, increasing the deployment of high-quality assets across all channels, strengthening the leading Internet cooperation, with interest-earning assets surpassing a hundred billion, the Bank achieved a dual improvement in both the quantity and quality of assets; the Bank improved the omni-channel collection system, optimized recovery strategies, and improved the efficiency of repayment. Secondly, by making full efforts to promote business transformation, optimizing customer structure, gradually improving the refined customer management system, and actively promoting the "being spree together (9要一起嗨)" series of activities to stimulate consumption and benefit people's livelihoods, the Bank steadily increased customer base; the Bank established a robust autonomous risk control system, developed integrated models, launched automated approval projects, established a risk pricing mechanism, comprehensively prevented and resolved risks, and witnessed the effectiveness of the newly added non-performing asset control; the Bank improved the remote banking service system, and deeply cultivated intelligent outbound calling scenarios. Thirdly, by thoroughly implementing digital transformation, constructing a digital system, establishing a big data platform, refining the tag system, report system, and indicator system, advanced automation of accounting and digitization of information, the Bank promoted the quality of overall process operation management. Fourthly, the Bank made full efforts to deepen the outlet transformation, implemented innovative customer acquisition projects, organized various featured events such as the Shenyang Marathon, promoted standardization of products and publicity, and utilized workforce efficiently. The capacity of the outlets gradually became evident. As of 31 December 2023, there were in aggregate 2,371,100 credit cards issued by the Bank, and the balance of existing credit card loans amounted to RMB13.333 billion, representing an increase of RMB4.307 billion as compared with the end of the previous year.

5.3.4.3 Shengjing Bank Consumer Finance Co., Ltd.

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer financial company in Northeast China established by the Bank as its major contributor and was approved to start business in February 2016. During the Reporting Period, the Company consistently adhered to the working principle of "seeking progress and adjustment while maintaining stability, ensuring the stable and improving development of operations." It established a solid compliance risk baseline, continually optimized its asset structure, actively explored business transformation paths, and witnessed a sustained improvement in various operational indicators. The Company consistently relied on the foundation of financial innovation and technological innovation, continuously solidifying the groundwork for business development, and consistently enhancing crucial core capabilities such as data intelligent risk control and information technology. At the same time, it consistently adhered to the original spirit of "finance for the people", practicing inclusive finance, stabilizing growth, promoting consumption, prioritizing service, and benefiting people's livelihoods. Through various measures, it served new urban residents and emerging consumer groups. As of now, the Bank has cumulatively served over 6 million customers, contributing to the development of the real economy.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4.4 Village banks

The Bank was the principal contributor to jointly establish six village banks, four of which are located in Shenyang, Liaoning Province: Shenyang Shenbei Fumin Village Bank, Shenyang Xinmin Fumin Village Bank, Shenyang Faku Fumin Village Bank, Shenyang Liaozhong Fumin Village Bank; and Ningbo Jiangbei Fumin Rural Bank located in Ningbo, Zhejiang Province, and Shanghai Baoshan Fumin Rural Bank located in Shanghai. The Bank has established a village bank management model through coordination between the head office and branches under which the risk department at the head office level shall take the lead in coordination with the professional supports from functional departments, and which, at the branch level, Shenyang Branch shall support four village banks in the Shenyang area and Shanghai Branch shall support two village banks in Shanghai and Ningbo. In 2023, through efficient head office-branches coordination, the Bank guided the village banks to strengthen leadership by Party building, improve corporate governance, strengthen risk and internal control management, and promote information system construction, help the village banks to adhere to the market positioning of supporting agriculture and small towns, and actively expand their business by expanding customers base, deeply cultivated the local and penetrated into the low-tier markets, thus effectively ensured the prudent operation of each rural commercial bank. As of 31 December 2023, the total assets of the six village banks increased by 7.2%, and total liabilities increased by 10.7% as compared with that of the end of the previous year, respectively, Net profit increased by 21.5% year-on-year, with the level of operation and development steadily improving and the ability of risk management and control continuously strengthening.

5.3.5 Distribution Channels

5.3.5.1 Offline Channels

To advance the high-quality and sustainable development of outlets, the Bank accelerated the transformation and upgrade of outlets, and promoted the intensification, electronicization, comprehensiveness, standardization, and specialization construction of branches and the it upgraded the standardization management of outlets, established a budgetary system for outlet construction management, streamlined approval procedures, and achieved end-to-end management of outlet construction from planning to post-evaluation; the Bank continued to optimize the layout of outlets, improved the service environment of outlets, formulated specific plans for the construction of characteristic outlets on a case-by-case basis, and successfully implemented the construction of the first literature-themed and technology-themed branches. The Bank strengthened electronicization substitution of transactions, optimized the deployment system of intelligent equipment, increased efforts in the development of self-service device functions, enhanced online services, and advanced the increase in the substitution rate of self-service devices. While maintaining the total number of outlets at a stable level, the Bank enhanced the operation and maintenance of existing outlets to achieve efficient operation, so as to continuously enhance the competitiveness in the market and the influential power of the brand and further refine the retail advantages. As of 31 December 2023, the Bank established 212 institutional outlets, including 1 head office, 3 branch-level specialised institutions, 18 branches, 189 traditional sub-branches, and 1 small sub-branch, equipped with advanced self-service terminal equipment such as self-service deposit/withdrawal machines (ATM and CDM), intelligent teller machines (ITM), Business Conducting PAD, high-speed cash recycling machines (CRS), and intelligent queuing machines.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.5.2 *Electronic Banking*

1. *Corporate Online Banking*

The Bank, to further drive the digital transformation of corporate business, enriched electronic channel products and functionalities for corporate clients. 96 new functions were newly created and optimized for the corporate online banking business, including Dingyirong (訂易融), Bill Discount (商票保貼), Real estate e Loan (房易貸), Tax e Loan – Loan Renewal for Outstanding Principal (稅易貸無還本續貸), Tax e Loan – Bulk Guarantee (稅易貸批量擔保), supply chain invoice management, coordination with the transformation of the new generation electronic bill system, intelligent routing transfers, and the white list for corporate accounts in the Shanghai region, thus enhancing the online service experience for corporate customers of the Bank. Meanwhile, in order to meet the mobile financial needs of corporate customers, the Bank newly released the corporate mobile banking, which enabled financial functions such as mobile inquiries, mobile payments, mobile approvals, mobile reconciliations, providing corporate customers with convenient, secure, and reliable mobile financial services. As of 31 December 2023, there were 80,800 corporate online banking customers in total, representing an increase of 26.6% as compared with that at the end of the previous year. There were 4.728 million transactions, with a cumulative transaction value of RMB3,360.253 billion.

2. *Personal Mobile Banking*

Adhering to the “customer-centric” philosophy, with the goal of enhancing user experience and increasing customer engagement, the Bank launched the new version 6.0 of personal mobile banking with upgrading the experience in viewing webpages, conducting operation or interaction, making payments by scanning codes and securing security protection. It integrated the standard version, wealth version, and charity version, offering an “exclusive” service experience to support the management of retail-specific customer groups. The Bank completed 161 products and features, including charity bracelets, special deposit zones, fund sales, and adjustments to mortgage interest rates. These initiatives aimed to provide a more diverse range of financial products and functionalities for individual customers. As of 31 December 2023, there were 4,131,000 mobile banking users in total, representing an increase of 8.6% as compared with that at the end of the previous year, with the number of monthly active users increased by 9.7%.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.6 Information Technology and R&D

The Bank's information technology, guided by the principles of "four transformations and four guarantees", prioritized the premise of ensuring the smooth operation of information system. With effectively strengthened IT management, it significantly supported overall digital transformation for the Bank, leading to a notable improvement in comprehensive technological service capabilities, contributing to a successful start in assisting the Bank's strategic transformation. Firstly, completed the evaluation of the information technology strategic planning and further refined the granularity of management aspects such as information technology project management and budget management. Secondly, the Bank implemented a pilot model of dispatching technology personnel to station at business departments to facilitate deeper collaboration between business and technology. Thirdly, the Bank improved the core network system architecture of three centers located in two places, completed "dual-active" disaster recovery configuration, so as to improve the availability, stability, and business continuity service capabilities of the information system. Fourthly, the Bank released the corporate mobile banking APP, leading to continuous shift of financial services and service scenarios from offline outlets to online channels. Fourthly, the Bank established an enterprise-level risk management platform, embedded digital risk control tools into business processes, and enhanced the intelligence level of risk monitoring and early warning. Fifthly, the Bank deepened the comprehensive application of data, implemented the centralized utilization of external datasets, and provided data services for business management and risk decision-making.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4 RISK MANAGEMENT

The Bank continued to strengthen comprehensive risk management. Firstly, the Bank enhanced the top-level design of risk management by evaluating and improving risk preference indicators and strategies, clarifying risk tolerance, enhancing the effectiveness of risk constraints; optimizing credit policies and limit management schemes, specifying key areas, industries, target customers, and specific credit strategies for resource allocation, and fine-tuning the guidance of financial investments in industries. Secondly, the Bank focused on enhancing credit risk management by strictly controlling customer risk admission, strengthening the assessment of existing customer risks, rigorously reviewing and optimizing warning models, fully leveraging proactive warning functions, and comprehensively elevating the standardization, proceduralization, and systemization level of credit business management. Thirdly, the Bank laid a solid foundation for the sustainable and high-quality development for itself by optimizing its asset structure, improving asset quality, enhancing capital adequacy levels, and strengthening risk resistance capabilities. Fourthly, the Bank actively promoted digital transformation, tracked and assessed the operation of the new credit management and risk management systems, continuously improved and enhanced system functionality; fully implemented the fully implemented the implementation requirements of the Regulatory Expected Credit Loss (ECL) Law, optimized and improved the risk measurement system; established a robust model management mechanism, and strengthened model risk management. Fifthly, the Bank steadily enhanced various risk management capabilities, conducted a comprehensive assessment and optimization of the market risk management system, systematically improved the level of operational risk and internal control compliance management and maintained a consistently adequate liquidity, so as to enhance the protective role of risk management for operational development.

5.4.1 Credit Risk Management

The Bank adhered to the market positioning of “three services”, returned to the essence of business, firmly focused on the main business. Grounded in the direction of industry finance, adhered to the principle of grasping substantive risks and preventing ultimate risks, the Bank adhered to the principle of grasping substantive risks and preventing ultimate risks, focused on advantageous industries, concentrated efforts on high-quality clients, prudently advanced the resolution of existing risks, and continuously optimized the overall asset structure of the Bank. Firstly, the Bank adhered to a business-oriented approach, and focused on local advantageous industries. Guided by the top ten selected industries, the focus was on restructuring, optimizing investment direction, and emphasizing risk control, so as to direct the overall strategic shift of the Bank towards local advantageous resources. Secondly, the Bank strictly adhered to the risk bottom line and rigorously controlled the growth of risk assets. Adhering to the credit-granting principles of “moderate and gradual increment in small amounts in a diversified way”, the Bank prevented “concentration of large accounts” and strictly implemented requirements for controlling large credit exposures. Thirdly, the Bank reinforced reassessment, consolidating the foundation of assets. The Bank conducted a thorough reassessment and analysis of the risks associated with its corporate credit business. Each account was scrutinized individually, forming a tailored strategy of “one household, one policy” for key groups and enterprises. Comprehensively applied methods such as problem summary analysis, data information mining, and reviewing the outcomes to provide references for credit operations, approval decisions, and post-credit management. Fourthly, the Bank coordinated planning and promoted reforms in the credit approval system by advancing the implementation of a full-time approver system, pushing for the transformation of the credit approval mechanism from “administrative collective decision-making” to “expert independent decision-making.” On one hand, improved the approval system processes, formulated the “Shengjing Bank Head Office Adjustment Plan for Corporate Credit Approval Mechanism (《盛京銀行總行對公授信審批機制調整方案》)”, and issued documents and regulations such as “Shengjing Bank Head Office Management Measures for Corporate Approval Personnel (2023) (《盛京銀行總行對公審批人管理辦法(2023年)》)” and “Shengjing Bank Notice on Adjusting the Head Office Corporate Credit Approval Process (《盛京銀行關於調整總行對公授信審批流程的通知》)”, On the other hand, strengthened the construction of the approval personnel team by hiring experienced personnel and forming a professional team of corporate approval experts.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.2 Operational Risk Management

In regard of operational risk management, the Bank adhered to principles of effectiveness, comprehensiveness, and efficiency. Within a comprehensive risk management framework, it constructed an operational risk management system tailored to the Bank's actual needs. It fostered a positive operational risk management culture, established and implemented operational risk control mechanisms, strengthened monitoring and control of operational risks, and maintained operational risks at appropriate levels. Firstly, the Bank strengthened the construction of operational risk culture. It firmly instilled risk prevention and control awareness, continuously conducted various training programs on professional skills, practical operations, compliance culture, warning education, etc. It reinforced the transmission and advocacy of internal control risk culture, enhanced self-discipline and endogenous motivation, and improved the ability to prevent and resolve risks. Secondly, the Bank consolidated the foundation of operational risk management. Through streamlining the process, the Bank, in conjunction with regulatory policies and internal requirements, systematized system processes, solidified various business process reengineering, streamlined 113 internal control processes, identified 1,551 risk points, and established 1,849 control measures, forming the basis for operational risk identification, assessment, and monitoring. Thirdly, the Bank strengthened operational risk investigation and monitoring. Focusing on key business areas and critical risk points, continuous operational risk investigations were conducted by the Bank, deeply examining and rectifying management loopholes, behavioral misconduct, and compliance issues. It built a historical loss database, analyzed the distribution of risk events, defined the weak links and risk sources of operational risk, took timely corrective and warning actions, adjusted management strategies, and reduced potential operational risk hazards.

5.4.3 Market Risk Management

The Bank, relying on market risk management strategies aligned with its strategy, integrated risk management into business processes. It emphasized a reasonable balance between risk tolerance and revenue growth, ensuring to control the adverse effects of market price fluctuations within the Bank's manageable range. In 2023, the Bank continued to enhance its market risk management system. It implemented a market risk management consulting project, comprehensively optimizing and improving the market risk management system from aspects such as institutional optimization, organizational structure, preference limits, and measurement systems and refined market risk monitoring, warning, and response processes. By early 2024, the Bank aimed to establish a preliminary comprehensive market risk management system, significantly elevating the standardization and precision of market risk management.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.4 Bank Account Book Interest Rate Risk Management

Adhering to a prudent and conservative interest rate risk preference, the Bank established a comprehensive bank account book interest rate risk mechanism based on its risk management and risk-bearing capabilities, including the structure of the bank account book interest rate risk mechanism and the division of responsibilities, risk management strategies and processes, risk identification, measurement, monitoring, and control systems, internal control and audit systems, as well as risk reporting and information disclosure mechanisms. In order to effectively reduce the negative impact of interest rate changes on the Bank's current profit and loss and economic value, the Bank to continuously strengthened the monitoring and analysis of interest rate risk of such books, paid close attention to changes in the external market interest rate environment, analyzed changes in the structure of interest rate risk exposure in the banking book, monitoring the level of interest rate risk of banking books, from various dimensions, including repricing gaps, changes in net interest income (NII), and changes in economic value of equity (EVE). By adjusting the structure of on-balance sheet assets and liabilities, making forward-looking adjustments to response measures, strictly implementing interest rate risk limit management mechanism of books of account of the Bank, and adjusting the repricing maturity structure of assets and liabilities through internal and external pricing management, and by reasonably controlling the interest rate sensitivity gap, the Bank developed a mechanism for the proactive management of the interest rate risk. In 2023, the Bank maintained the level of interest rate risk within its manageable range, and the overall stability of interest rate risk of banking books was achieved.

5.4.5 Liquidity Risk Management

The Bank centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Planning and Financial Department and Risk Management Department at the head office. The Bank established a framework for cash flow estimation and analysis based on business scale, nature, complexity, and risk conditions. It analyzed and monitored asset-liability maturity mismatch, diversification and stability of funding sources, high-quality liquid assets, liquidity risks in significant currencies, and market liquidity under normal and stress scenarios for different time periods in the future. Cash flow estimation and analysis covered the future cash flows of assets and liabilities, as well as the potential liquidity of contingent assets and liabilities. It fully considered the impact of payment settlement, agency, and trust services on cash flows. The Bank adhered to the prudent and stable liquidity risk appetite, continuously improved the liquidity management system covering the Group's consolidated financial statements, on and off-balance sheets, denominated in both domestic and foreign currencies, and continuously optimized asset-liability allocation, strengthened early warning monitoring and gap management, and continually refined a multi-level liquidity reserve system to enhance overall liquidity risk prevention and control capabilities. During the Reporting Period, overall balance was maintained between liquidity supply and demand, with liquidity gaps controlled within a reasonable range. The liquidity condition remained consistently favorable.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.6 Information Technology Risk Management

The Bank continued to intensify efforts in IT governance, comprehensively improve the organizational structure of IT governance, consistently deepened the “three lines of defense” in technology management, risk management, and information technology audit, with each responsible for their own work, with a reasonable division of labor, clear responsibilities, and mutual checks and balances, which effectively promoted implementation of the Bank’s IT risk management. Firstly, based on information technology risk control requirements the Bank established a routine information technology risk monitoring and control mechanism in various aspects, including information security, information system development, information technology operations, business continuity management, and outsourcing management. Secondly, the Bank regularly conducted information technology risk assessments. It reviewed key aspects of information technology risk management to strengthen daily management of information technology risks. It supervised the implementation of information system security self-inspections, routine inspections, and periodic reviews to enhance the level of information technology risk monitoring. Thirdly, the Bank implemented integrated security control for newly developed systems, standardizing the entire lifecycle security management process and tasks, including project initiation requirements, development design, testing acceptance, and production deployment, which enhanced the security of information systems. The Bank organized all staff to participate in five training courses, including cybersecurity emergency response, outsourcing risk management, and information security management, with a total number of more than 5,100 participants.

5.4.7 Reputational Risk Management

Following the requirements of Administrative Measures of Reputational Risk of Banking and Insurance Institutions (Trial) (《銀行保險機構聲譽風險管理辦法試行》), the Bank continuously improved its reputation risk management capabilities based on the principles of foresight, alignment, comprehensive coverage, and effectiveness. Firstly, the Bank proactively managed and controlled public opinion risk by enhancing the reputation monitoring, closely monitoring feedback information from online platforms, strengthening the research and judgment of industry reputation risk points, scrutinizing and improving internal processes, and reinforcing the construction of mechanisms linked with complaints, mechanism for linkage with complaints, and promptly responding to customer reasonable demands, which comprehensively strengthened the foundation of reputation risk management. Secondly, the Bank strengthened the response and solution of sensitive information on the internet with tiered reporting and efficient coordination, effectively utilizing the ‘three lines of defense’ in reputation risk management, and conducted timely reviews, and improved the handling process. Thirdly, the Bank cultivated a reputational risk management culture, organized various themed online and offline training sessions focused on potential public opinion risks around business outlets, strengthening online guidance, and enhancing the awareness and capabilities of all staff in reputation risk management. Fourthly, the Bank accumulated reputation capital, enriched promotional themes, strengthened the construction of communication channels, and enhanced the brand image of “the bank of the citizens, the bank of the city and the bank of the nation”.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.8 Compliance Risk Management

The Bank actively managed compliance risks, continuously strengthened the construction of the compliance management system, played a core role in compliance risk management, adhered to the principle of “prevention as the main focus, resolution as a supplement”, and promoted the Bank’s lawful and compliant operations. Firstly, the Bank established a compliance management mechanism that covers “proper conduct on the positive side, prohibited acts on the negative side, and penalties for violations”, so as to strengthen compliance awareness among all employees, and guide all employees to follow the Bank’s code of conduct. The Bank created a positive atmosphere throughout the Bank with the principles of “not daring to breach the rules, prohibited from breaching the rules, and unwilling to breach the rules” and built a compliance culture that prioritizes “respecting regulations, fearing systems, prioritizing compliance, and giving precedence to internal controls”. Secondly, the Bank earnestly implemented the regulatory opinions of the financial regulatory authorities, formulated rectification work plans around aspects such as party leadership, risk control, asset recovery and preservation, and business transformation and development and specified work objectives, responsibilities, and deadlines, strengthening management in weak areas. Thirdly, the Bank continuously tracked the latest changes in regulatory policies, clarified policy directions, strengthened information sharing, and effectively integrated dynamic regulatory requirements into the Bank’s overall operational management, promoting the Bank to strictly adhere to regulatory bottom lines and conduct business operations in accordance with the law. At the same time, the Bank conducted compliance risk investigation to promptly identify risks and potential issues in branches, strengthened training and education, and enhanced the level of compliance management. Intensified internal inspections and audit supervision, drew on advanced experiences from peers in the industry, and continued to standardize operations and refine management in the three stages of credit business: entry, approval, and post-loan, ensuring the effectiveness of regulatory policy implementation and effectively prevent compliance risks.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.9 Money Laundering Risk Management

The Bank continued to strengthen the risk management of money laundering, thoroughly implemented the regulatory requirements of anti-money laundering and continuously enhanced the effectiveness of money laundering risk management. Firstly, the Bank continuously optimized the anti-money laundering management structure by integrating the optimization of the operation mode, continuously enhanced the Bank's ability to identify, monitor and control money laundering risks, and constructed a risk-based, intensive and efficient working system. Secondly, the Bank continuously conducted business to assess money laundering risk, strengthened the application of self-assessment results for money laundering risks, and enhanced the effectiveness of money laundering risk management. Thirdly, the Bank consistently optimized customer due diligence, transaction monitoring model indicators, etc., continuously explored the application of financial technology, and strengthened measures for monitoring and controlling money laundering risks. Fourthly, the Bank solidly carried out anti-money laundering training, practically implemented anti-money laundering talent reserve and professional echelon construction, and continuously improved the ability of business personnel and anti-money laundering personnel in performing duties fifthly, the Bank strengthened normalization of publicity work, fully utilized its influence, and continuously raised public awareness of money laundering risk prevention.

5.4.10 Country-specific Risk Management

The Bank attached great importance to country-specific risk management, incorporating it into the comprehensive risk management framework and establishing a country-specific risk management system that is appropriate for the Bank's risk exposure scale and complexity. At the same time, the Bank gained a comprehensive understanding of the current global economic development and trends, made effective supplements to existing country-specific risk management policies and procedures, and constructed a new pattern for the identification, measurement, and monitoring of country-specific risks. Firstly, the Bank optimized the country-specific risk management system, detailed the implementation rules for country-specific risk management, clarified the division of responsibilities for Country-specific Risk Management among various departments, and enhanced the technical level of country-specific risk management. Secondly, the Bank fully utilized internal and external information to conduct internal assessment and rating for countries or regions, increased the accuracy and timeliness of country-specific risk assessment and identification, and provided a basis for internal management and regulatory data reporting. Thirdly, the Bank made provisions for country-specific risk, and effectively controlled country-specific risk by fully considering the impact of changes in country-specific risk on asset quality, accurately identifying and reasonably assessed country-specific risk exposure,.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.5 FUTURE OUTLOOK AND DEVELOPMENT STRATEGY

In 2023, the unfavorable impact of the external environment on China's development continued to increase due to the sluggish recovery of the world economy, intensified geopolitical conflicts, and rising protectionism and unilateralism. China has increased its macroeconomic control, the national economy has rebounded and improved, the supply and demand have been steadily improved, restructuring and upgrading have been actively promoted, employment and prices have remained stable, people's livelihood has been strongly and effectively safeguarded, counter-cyclical adjustments have been strengthened, and high-quality development has been solidly promoted.

Looking ahead to 2024, the current cycle of interest rate hikes in developed economies may have come to an end, and the lagging effects of high interest rates will continue to manifest. However, the long-term trend of economy remains positive, and China will adhere to the general principle of seeking progress amidst stability and strengthen counter-cyclical and cross-cyclical adjustments in macro policies. In terms of monetary policy, a prudent monetary policy should be flexible, precise and effective, maintain a reasonable abundance of liquidity, and match the scale of social financing and the amount of money supply with the expected goals of economic growth and price levels. In terms of fiscal policy, the proactive fiscal policy should be appropriately strengthened, increase in quality and efficiency, continue to consolidate the foundation of stable development, maintain an appropriate intensity of fiscal expenditure, rationalize the scale of government investment, balance transfer payments, improve the precision and targeting of tax policies, and optimize the transmission mechanism of fiscal policies.

During the "14th Five-Year Plan" period, Liaoning Province will fully develop a digital Liaoning to promote industrial transformation and upgrading. The upgrade of Liaoning's industries will be driven by digital empowerment, focusing on the "three major articles (三篇大文章)" of structural adjustment. We will accelerate the digitalization, networking, and intelligent transformation of traditional manufacturing, and speed up the development of 22 key industrial clusters, strive to build four trillion-level industrial bases, and construct a modern industrial system with distinctive Liaoning characteristics; accelerate the development of emerging industries, vigorously develop strategic emerging industries such as aviation manufacturing, new materials, robotics, biomedicine, new energy vehicles, and integrated circuits, and proactively deploy future industries such as additive manufacturing, flexible electronics, quantum technology, and energy storage materials to cultivate new productive forces and foster new growth drivers. The window period of industrial structural adjustment has provided clear industry guidelines for the Bank to vigorously develop industrial finance. By effectively entering and reducing investment risks in local advantageous industries and sectors, the Bank is more likely to obtain policy support. Since 2023, the cumulative month-on-month growth rate of total retail sales of consumer goods in Liaoning Province has always been higher



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

than the national average, with residents having a stronger sense of savings and greater potential for consumption growth, and the province's consumption recovery is in a favorable trend, providing opportunities for the Bank to expand its retail credit business. Overall, the development of the country and the Liaoning-Shenyang region is in an important strategic opportunity period, with vast market space, a complete industrial system, strong material and technological foundations, continuously increasing talent dividend and continuous improvement of resident consumption capacity, providing a strong support for economic development.

The Bank will comprehensively consider the overall macroeconomic situation and the guidance of monetary policy, fiscal policy, and regulatory policy, firmly comply with the 12-character work requirements of the Central Economic Work Conference of "pursuing progress while ensuring stability, promoting stability through progress, and tackling tough issues after laying a solid foundation", revolve around the strategic theme of "strengthening the leadership of Party building and realizing high-quality development", pay close attention to the two key tasks of "restructuring and development, reforming and risk management", build three engines of "institutional reshaping, mechanism reengineering and digital transformation", strengthen four core guarantees of "Party building leadership, compliance management, risk management and control, operation and network transformation", and establish five major business segments of "retail finance, inclusive finance, government finance, corporate finance, financial market and asset management", so as to steadily promote its own high-quality development, and further play a financial supporting role in the economic and social development of Liaoning and Shenyang.



SIGNIFICANT EVENTS

RELATED PARTY TRANSACTIONS

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the "CSRC") or the NFRA, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

References are made to the announcement of the Bank dated 27 September 2023, the circular of the Bank dated 11 October 2023 and the poll results announcement at the 2023 First Extraordinary General Meeting of the Bank dated 31 October 2023, in which the Shareholders have approved the substantially significant disposal of the assets of the Bank.

REPLENISHMENT OF OTHER TIER-ONE CAPITAL THROUGH A CONVERTIBLE NEGOTIATED DEPOSIT

In order to replenish capital, enhance the Bank's capital strength, improve capital structure and risk resistance level, the Bank and Shenyang Finance Bureau entered into the agreement on replenishing the "convertible negotiated deposit" of small and medium sized banks' capital with the special bonds (the "**Agreement**"). The Bank received RMB15 billion in tranches of agreed deposits, and all funds were used to replenish other tier-one capital of the Bank.

As of the Latest Practicable Date, the conversion conditions set out in the Agreement have not been satisfied, and the Bank has not issued any Shares pursuant to the Agreement. Please refer to the circular of the Bank and the announcement of the Bank dated 31 August 2022 for details of the replenishment of additional tier-one capital by convertible negotiated deposit business.

Save for the above, during the Reporting Period, the Bank did not enter into or renew any other equity-linked agreements.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

As at 31 December 2023, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, there were no changes in the such shares.

	31 December 2022		Changes during the Reporting Period			31 December 2023	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares legal persons	6,334,384,089	72.01	Nil	Nil	Nil	6,334,384,089	72.01
Of which:							
1.1 Shareholding of state-owned legal persons	3,300,756,425	37.52	Nil	Nil	Nil	3,300,756,425	37.52
1.2 Shareholding of private legal persons	3,033,627,664	34.49	Nil	Nil	Nil	3,033,627,664	34.49
2. Shareholding of domestic natural persons	121,553,611	1.38	Nil	Nil	Nil	121,553,611	1.38
3. H Shares	2,340,742,500	26.61	Nil	Nil	Nil	2,340,742,500	26.61
Total	8,796,680,200	100.00	Nil	Nil	Nil	8,796,680,200	100.00

Notes:

- Percentage figures in the table have been adjusted by rounding. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.
- As of the end of the Reporting Period, the total number of domestic shareholders of the Bank was 3,469, and the total number of H Share shareholders was 124. Among domestic shareholders, there are 41 state-owned legal person shareholders, 109 private legal person shareholders, and 3,319 natural person shareholders.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.1 TOP TEN SHAREHOLDERS OF THE DOMESTIC SHARES OF THE BANK

As at 31 December 2023, the top ten Shareholders of the Domestic Shares of the Bank are as follows:

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Percentage of the total share capital of the Bank (%)	Number of Shares pledged
1	Shenyang Shengjing Finance Investment Group Co., Ltd. (瀋陽盛京金控投資集團有限公司("Shengjing Finance Holdings"))	State-owned	1,829,255,327	20.79	0
2	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恆信國有資產經營集團有限公司) (Shenyang Hengxin)	State-owned	479,836,334	5.45	0
3	Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司)	Private	400,000,000	4.55	400,000,000
4	Founder Securities Co., Ltd. (方正證券股份有限公司)	Private	300,000,000	3.41	0
5	Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司)	Private	300,000,000	3.41	80,000,000
6	Shenyang Heping District State-Owned Assets Management Co., Ltd. (瀋陽市和平區國有資產經營有限公司)	State-owned	250,000,000	2.84	0
7	Shenyang Hi-Tech Development Investment Holding Group Co., Ltd. (瀋陽高新發展投資控股集團有限公司)	State-owned	250,000,000	2.84	0
8	Shanxi Yuwang Coal Gasification Co., Ltd. (山西禹王煤炭氣化有限公司)	Private	200,000,000	2.27	0
9	Lianmei Group Co., Ltd. (聯美集團有限公司)	Private	200,000,000	2.27	0
10	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	2.27	0
Total			4,409,061,661	50.12	480,000,000

Note: Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS**1. Interests of Substantial Domestic Shareholders**

As at 31 December 2023, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares (%)	Percentage of the total share capital of the Bank (%)
Shengjing Finance Holdings ⁽¹⁾	Beneficial owner	1,829,225,327 (Long position)	28.33	20.79
Shenyang Hengxin ⁽²⁾	Beneficial owner	479,836,334 (Long position)	7.43	5.45
Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) ⁽²⁾	Interest of a controlled corporation	479,836,334 (Long position)	7.43	5.45

Notes:

- (1) According to the Register of Shareholders of the Bank as at 31 December 2023, Shengjing Finance Holdings held 1,829,225,327 Domestic Shares. Shengjing Finance Holdings was 64.85% directly owned by SASAC of Shenyang Municipal People's Government. By virtue of the SFO, SASAC of Shenyang Municipal People's Government is deemed to be interested in the Shares held by Shengjing Finance Holdings.
- (2) According to the Register of Shareholders of the Bank as of 31 December 2023, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly-owned by Shenyang Industrial Investment Development Group Co., Ltd., which was 98.16% owned by SASAC of Shenyang Municipal People's Government. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. and SASAC of Shenyang Municipal People's Government are deemed to be interested in the Shares held by Shenyang Hengxin Holdings.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

2. Interests of Substantial H Shareholders

As at 31 December 2023, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Zhengbo Holdings Limited ⁽¹⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Suen Cho Hung, Paul ⁽¹⁾	Interest of a controlled corporation/Beneficial owner	420,898,500 (Long position)	17.98	4.78
Future Capital Group Limited ⁽²⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
PEAK TRUST COMPANY-NV ⁽²⁾	Trustee	406,761,000 (Long position)	17.38	4.62
Cheung Chung Kiu ⁽³⁾	Interest of a controlled corporation/Beneficial owner	324,651,500 (Long position)	13.87	3.69
Nu Kenson Limited ⁽⁴⁾	Beneficial owner	190,000,000 (Long position)	8.12	2.16
Oshidori International Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	293,034,000 (Long position)	12.52	3.33
Cheng Yu Tung Family(Holdings II) Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Cheng Yu Tung Family (Holdings) Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook (Holding) Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Capital Limited ⁽⁵⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Nominee Limited ⁽⁵⁾	Interest of a controlled corporation/Beneficial owner	179,518,060 (Long position)	7.67	2.04
Murtsa Capital Limited ⁽⁶⁾	Beneficial owner	172,512,893 (Long position)	7.37	1.96
Seekers Partners Limited ⁽⁶⁾	Interest of a controlled corporation	172,512,893 (Long position)	7.37	1.96

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

Notes:

(1) Suen Cho Hung, Paul directly held 20,898,500 H Shares of the Bank. Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.

(2) Cordoba Homes Limited held 6,761,000 H Shares of the Bank through its wholly-owned subsidiary, Cordoba Homes Treasury Limited (registered in the British Virgin Islands); Terra Firma Cordoba Limited held 61.98% of the equity of Cordoba Homes Limited; Terra Firma Cordoba Limited was wholly owned by Terra Firma Holdings Limited; Terra Firma Holdings Limited was wholly owned by PEAK TRUST COMPANY-NV. By virtue of the SFO, Cordoba Homes Limited, Terra Firma Cordoba Limited, Terra Firma Holdings Limited and PEAK TRUST COMPANY-NV are deemed to be interested in the Shares held by Cordoba Homes Treasury Limited.

Future Capital Group Limited held 400,000,000 H shares of the Bank. Future Capital Group Limited was wholly owned by Core Heaven Group Limited; Core Heaven Group Limited was wholly owned by Cordoba Homes Treasury Limited (registered in the Republic of Liberia); Cordoba Homes Treasury Limited (registered in the Republic of Liberia) was wholly owned by Cordoba Homes Limited. By virtue of the SFO, Core Heaven Group Limited, Cordoba Homes Treasury Limited and Cordoba Homes Limited are all deemed to be interested in the Shares held by Future Capital Group Limited.

(3) Cheung Chung Kiu directly held 299,651,500 H Shares of the Bank. Worthwell Investments Limited held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly owned by C C Land Holdings Limited; C C Land Holdings Limited was held as to 52.99% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly owned by Chueng Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, C C Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.

(4) Smart Jump Corporation (registered in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (registered in British Virgin Islands) was wholly owned by Smart Jump Corporation (registered in Cayman Islands); Smart Jump Corporation (registered in Cayman Islands) was wholly owned by Smart Jump Corporation (registered in Marshall Islands); Smart Jump Corporation (registered in Marshall Islands) was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (registered in Cayman Islands), Smart Jump Corporation (registered in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (registered in British Virgin Islands).

Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind Intermediary Financial Services Limited; Win Winds Intermediary Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

Kenson Investment Limited held 100,000,000 H Shares of the Bank. Kenson Investment Limited is wholly owned by Uptown WW Holdings Limited; Uptown WW Holdings Limited is wholly owned by Uptown WW Capital Group Limited (registered in British Virgin Islands); Uptown WW Capital Group Limited (registered in British Virgin Islands) is wholly owned by Uptown WW Capital Group Limited (registered in the Cayman Islands); Uptown WW Capital Group Limited (registered in the Cayman Islands) is wholly owned by Enerchina Investments Limited; Enerchina Investments Limited is wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Uptown WW Holdings Limited, Uptown WW Capital Group Limited (registered in British Virgin Islands), Uptown WW Capital Group Limited (registered in the Cayman Islands), Enerchina Investments Limited and Oshidori International Holdings Limited are deemed to be interested in the shares held by Kenson Investment Limited.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (5) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of SFO, Chow Tai Fook Nominee Limited was deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited holds 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited directly held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.90% by Chow Tai Fook (Holding)Limited; Chow Tai Fook (Holding) Limited was held as to 81.03% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings)Limited and Cheng Yu Tung Family (Holdings II) Limited respectively. By virtue of the SFO, Chow Tai Fook (Holding)Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

- (6) Murtsa Capital Limited held 172,512,893 H Shares of the Bank. Murtsa Capital Limited was wholly owned by Seekers Capital (HK) Limited; Seekers Capital (HK) Limited was wholly owned by Seekers Holdings Limited; Seekers Holdings Limited was wholly owned by Seekers Partners Limited. By virtue of the SFO, Seekers Capital (HK) Limited, Seekers Holdings Limited and Seekers Partners Limited are deemed to be interested in the Shares held by Murtsa Capital Limited.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2023 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

7.3 SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shengjing Finance Holdings and Shenyang Hengxin held 1,829,225,327 Domestic Shares and 479,836,334 Domestic Shares of the Bank, respectively, representing 20.79% and 5.45% of the Bank's total share capital, respectively.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.4 INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF DOMESTIC SHARES AND DE FACTO CONTROLLERS

Below is the information on the Bank's substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries as of the Latest Practicable Date. For the definition of relevant concepts, please see the relevant requirements of the Interim Measures for the Shareholding Management of Commercial Banks(《商業銀行股權管理暫行辦法》) issued by the current National Financial Regulatory Administration (formerly known as China Banking and Insurance Regulatory Commission).

No.	Name of shareholder	Number of Shares held (share)	Shareholding percentage	Reasons of being a substantial shareholder	Number of shares pledged (share)	Controlling shareholder	De facto controller	Parties acting in concert	Ultimate beneficial owner
1	Shengjing Finance Holdings	1,829,225,327	20.79%	Holding 5% or more of the Bank's shares, being appointed director	0	Shenyang SASAC	Shenyang SASAC	Nil	Shengjing Finance Holdings
2	Shenyang Hengxin	479,836,334	5.45%	Holding 5% or more of the Bank's shares, being appointed director	0	Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司)	Shenyang SASAC	Nil	Shenyang Hengxin



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.5 ISSUANCE OF DEBT SECURITIES

1. Debt Securities Issued

As at the end of the Reporting Period, details of the debt securities issued by the Bank are set out in the “Debt Securities Issued” section of “Management Discussion and Analysis” of this Report and note 30 to the section “NOTES TO THE FINANCIAL STATEMENTS”.

2. Proposed Issuance of Debt Securities

References are made to the announcement of the Bank dated 27 March 2020, the circular dated 21 April 2020 and the poll results at the 2019 Annual General Meeting dated 5 June 2020 in relation to the proposed issuance of financial bonds. References are made to the announcement dated 24 March 2023 and the poll results at the 2022 Annual General Meeting dated 2 June 2023, the Shareholders have approved the extension of the validity term of validity of financial bonds and relevant authorisation matters to 29 November 2024.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

8.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the basic information of the Directors, Supervisors and senior management of the Bank is set out as follows:

Name	Age	Position
Mr. SUN Jin (孫進)	51	Executive Director, Chairman
Ms. LIU Xu (柳旭)	55	Executive Director, President
Mr. WANG Yigong (王亦工) ^{Note 1}	57	Executive Director, Vice President
Mr. ZHANG Xuewen (張學文) ^{Note 1}	56	Executive Director, Vice President
Mr. HE Yixuan (何一軒) ^{Note 1}	40	Executive Director, Vice President
Mr. SUN Zhenyu (孫振宇) ^{Note 2}	48	Non-executive Director
Mr. HE Peng (何鵬) ^{Note 2}	42	Non-executive Director
Ms. YANG Xiu (楊秀) ^{Note 2}	53	Non-executive Director
Ms. WANG Hongmei (王紅枚) ^{Note 2}	42	Non-executive Director
Mr. WANG Jun (王軍)	58	Non-executive Director
Mr. WANG Mo (王沫)	59	Independent Non-executive Director
Ms. LV Dan (呂丹)	45	Independent Non-executive Director
Mr. CHAN Pak Lam, Tom (陳柏楠) ^{Note 3}	61	Independent Non-executive Director
Ms. WANG Lan (王嵐) ^{Note 3}	54	Independent Non-executive Director
Mr. HUANG Weiqiang (黃瑋強) ^{Note 3}	41	Independent Non-executive Director
Mr. LIU Yan (劉岩),	53	Shareholder Representative Supervisor, chairman of the Board of Supervisors
Mr. YUEN Wing Shing (袁永誠)	77	Shareholder Representative Supervisor,
Mr. LI Jinsong (李勁松)	53	Shareholder Representative Supervisor,
Mr. XING Tiancai (邢天才)	62	External Supervisor
Ms. MI Juan (米娟)	60	External Supervisor
Mr. LI Yanxi (李延喜)	53	External Supervisor
Mr. YU Xiaolong (于小龍)	46	Employee Representative Supervisor
Mr. NIU Jiao (牛角)	47	Employee Representative Supervisor
Mr. CHEN Shijun (陳世俊)	49	Employee Representative Supervisor
Mr. SUN Yingpin (孫英品) ^{Note 4}	49	Assistant to President
Mr. BAO Hong (包宏)	52	Chief Financial Officer
Mr. ZHOU Zhi (周峙)	55	Secretary to the Board
Mr. WU Tienan (吳鐵男)	54	Chief Information Officer

^{Note 1} The eligibilities of Mr. WANG Yigong, Mr. ZHANG Xuewen and Mr. HE Yixuan as Executive Directors are subject to formal approval by the NFRA Liaoning Bureau. Mr. SHI Yang will continue to perform his duty as an Executive Director prior to the approval of qualification of the newly appointed Executive Director by the NFRA Liaoning Bureau.

^{Note 2} The eligibilities of Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu and Ms. WANG Hongmei as Non-executive Directors are subject to formal approval by the NFRA Liaoning Bureau. Mr. SU Qingxiang, Mr. LIANG Zhifang and Mr. JIANG Aiguo will continue to perform their duties as Non-executive Directors prior to the approval of qualifications of the newly appointed Non-executive Directors by the NFRA Liaoning Bureau.

^{Note 3} The eligibilities of Mr. CHAN Pak Lam, Tom, Ms. WANG Lan and Mr. HUANG Weiqiang as Independent Non-executive Directors are subject to formal approval by the NFRA Liaoning Bureau. Mr. TAI Kwok Leung, Alexander and Mr. LI Jinyi will continue to perform their duties as Independent Non-executive Directors prior to the approval of qualifications of the newly appointed Independent Non-executive Directors by the NFRA Liaoning Bureau.

^{Note 4} The eligibility of Mr. SUN Yingpin as Assistant to President is subject to formal approval by the NFRA Liaoning Bureau.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors and Senior Management

Reference is made to the announcement of the Bank dated 17 February 2023. Mr. QIU Huofa has resigned from the positions of chairman of the Board, executive director and member of committees under the Board of the Bank with effect from 15 February 2023 due to age reasons.

Mr. YANG Liya has resigned as Chief Approval Officer in March 2023.

References are made to the announcement of the Bank dated 11 April 2023, the announcement dated 12 July 2023, Mr. SHEN Guoyong has resigned as President, Executive Director of the Bank and member of committees under the Board with effect from 11 April 2023 due to work adjustments. On 11 July 2023, the eligibility of Ms. LIU Xu as the president of the Bank was officially approved by banking and insurance regulatory authorities.

References are made to the announcement dated 11 April 2023, the circular dated 19 April 2023, the poll results announcement at the 2022 Annual General Meeting dated 2 June 2023, the announcement dated 25 August 2023 and the announcement dated 7 November 2023 of the Bank. Upon shareholder approval at the 2022 Annual General Meeting held on 2 June 2022, Mr. SUN Jin was elected as an Executive Director of the Bank. The qualification of Mr. SUN Jin as Executive Director was officially approved by the NFRA Liaoning Bureau on 23 August 2023. After passing the resolution of the Board of Directors, Mr. SUN Jin was appointed as the Chairman of the Bank, the chairman of the Strategic Development Committee (currently known as Strategic Development and ESG Committee) under the Board and the vice chairman of the Nomination and Remuneration Committee under the Board on 25 August 2023. The qualification of Mr. SUN Jin as Chairman was officially approved by the NFRA Liaoning Bureau on 3 November 2023.

The eligibility of Mr. HE Yixuan as Vice President was officially approved by the banking and insurance regulatory authorities on 23 May 2023.

Ms. ZHANG Jun resigned as Vice President of the Bank in August 2023.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Reference is made to the announcement of the Bank dated 18 August 2023, Ms. LI Ying has resigned from the positions as an executive director of the Bank and member of committees under the Board with effect from 16 August 2023 due to having reached the statutory retirement age.

The eligibility of Mr. WU Tienan as Chief Information Officer was officially approved by the NFRA Liaoning Bureau on 23 August 2023.

Ms. XU Li resigned as proposed Chief Audit Officer of the Bank in January 2024.

References are made to the announcement of the Bank dated 5 January 2024, the circular dated 9 January 2024 and the poll results announcement at the 2024 First Extraordinary General Meeting dated 22 February 2024. Upon shareholder approval at the 2024 First Extraordinary General Meeting held on 22 February 2024, Mr. SUN Jin, Ms. LIU Xu, Mr. WANG Yigong, Mr. ZHANG Xuewen and Mr. HE Yixuan were elected as Executive Directors of the eighth session of the Board of the Bank; Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu, Ms. WANG Hongmei and Mr. WANG Jun were elected as Non-executive Directors of the eighth session of the Board; Mr. WANG Mo, Ms. LV Dan, Mr. Chan Pak Lam, Tom, Ms. WANG Lan and Mr. HUANG Weiqiang were elected as Independent Non-executive Directors of the eighth session of the Board. The terms of office of Mr. SUN Jin, Ms. LIU Xu, Mr. WANG Jun, Mr. WANG Mo and Ms. LV Dan shall take effect from 22 February 2024 until the expiration of the term of the eighth session of the Board. The eligibilities of Mr. WANG Yigong, Mr. ZHANG Xuewen, Mr. HE Yixuan, Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu, Ms. WANG Hongmei, Mr. Chan Pak Lam, Tom, Ms. WANG Lan and Mr. HUANG Weiqiang are subject to approval by the NFRA Liaoning Bureau. At the first meeting of the eighth session of the Board on 22 February 2024, Mr. SUN Jin was elected as the Chairman of the eighth session of the Board, the chairman of the Strategic Development and ESG Committee under the Board and the vice chairman of the Nomination and Remuneration Committee under the Board, with a term of office effective from 22 February 2024 until the expiration of the term of the eighth session of the Board.

At the first meeting of the eighth session of the Board on 22 February 2024, the Board unanimously agreed to change the name of the Strategic Development Committee to Strategic Development and ESG Committee and the name of the Risk Control and Consumers' Rights Protection Committee (風險控制及消費者權益保護委員會) to Risk Control and Consumers' Rights Protection Committee (風險控制與消費者權益保護委員會). At the same time, the composition of the eighth session of the Board committees of the Bank has been elected. The Strategic Development and ESG Committee consists of five Directors, including Mr. SUN Jin as the chairman, Mr. SUN Zhenyu as the vice chairman, Ms. LIU Xu, Ms. YANG Xiu, and Mr. HUANG Weiqiang as members. The Nomination and Remuneration Committee consists of five Directors, including Ms. LV Dan as the chairlady, Mr. SUN Jin as the vice chairman, Ms. WANG Hongmei, Mr. WANG Mo, and Mr. CHAN Pak Lam, Tom as members. The Risk Control and Consumers' Rights Protection Committee consists of five Directors, including Mr. WANG Mo as the chairman, Ms. LIU Xu as the vice chairlady, Mr. ZHANG Xuewen, Mr. HE Peng and Mr. HUANG Weiqiang as members. The Related Party Transactions Control Committee consists of five Directors, including Mr. HUANG Weiqiang as the chairman, Mr. WANG Yigong as the vice chairman, Mr. HE Yixuan, Ms. LV Dan and Ms. WANG Lan as members. The Audit Committee consists of five Directors, including Mr. CHAN Pak Lam, Tom as the chairman, Mr. HE Peng as the vice chairman, Mr. WANG Jun, Mr. WANG Mo and Ms. WANG Lan as members.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

2. Changes in Supervisors

References are made to the announcement of the Bank dated 11 April 2023, the circular dated 19 April 2023 and the poll results announcement of the 2022 Shareholders' General Meeting dated 2 June 2023. Mr. HAN Li has resigned as a shareholder representative supervisor, chairman of the seventh session of the board of supervisors of the Bank, vice chairman of the Nomination Committee of the Board of Supervisors and vice chairman of the Supervision Committee of the Board of Supervisors as he has reached the statutory retirement age. The resignation of Mr. HAN shall take effect on 10 April 2023. Upon approval by the Shareholders at the 2022 Annual General Meeting held on 2 June 2023, Mr. LIU Yan was elected as a Shareholder Representative Supervisor of the Bank. After passing the resolution at the meeting of the Board of Supervisors held on the same date, Mr. LIU Yan was elected as the chairman of the seventh session of the Board of Supervisors of the Bank.

References are made to the announcement dated 5 January 2024, the circular dated 9 January 2024 and the poll results announcement of the 2024 First Extraordinary General Meeting dated 22 February 2024 of the Bank. Upon shareholder approval at the 2024 First Extraordinary General Meeting held on 22 February 2024, Mr. LIU Yan, Mr. YUEN Wing Shing and Mr. LI Jinsong were elected as Shareholder Representative Supervisors of the eighth session of the Board of Supervisors, and Mr. XING Tiancai, Ms. MI Juan, Mr. LI Yanxi were elected as External Supervisors of the eighth session of the Board of Supervisors. The terms of office of the above supervisors took effect from 22 February 2024 until the expiration of the term of the eighth session of the Board of Supervisors. After the resolution at the first meeting of the eighth session of the Board of Supervisors held on the same date, Mr. LIU Yan was elected as the chairman of the eighth session of the Board of Supervisors. His term of office shall commence from 22 February 2024 until the expiration of the term of the eighth session of the Board of Supervisors.

The Bank has elected Mr. YU Xiaolong, Mr. NIU Jiao and Mr. CHEN Shijun as Employee Representative Supervisors of the eighth session of the Board of Supervisors at the employee representative' general meeting with effect from 20 February 2024 until the expiration of the term of the eighth session of the Board of Supervisors.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.3 BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Biographies of Directors

Executive Directors

Mr. SUN Jin (孫進), aged 51, was elected as an Executive Director and the Chairman of the eighth session of the Board of the Bank in February 2024. He acts as the secretary of the Party Committee of the Bank and was nominated as a candidate for executive Director of the Bank from April 2023 to date, and was elected as the Chairman of the seventh session of the Board of the Bank on 8 November 2023. From October 2016 to April 2023, Mr. SUN served as the vice president and a member of the Party Committee of the Liaoning Branch of Bank of China. He served as the general manager of the Human Resources Department and the director of the Organization Department of the Party Committee of the Liaoning Branch of Bank of China from October 2012 to October 2016; the director of the General Office of Bank of China Liaoning Provincial Branch from October 2009 to October 2012. From August 2002 to October 2009, Mr. SUN held several positions successively in Bank of China, including the vice president of Zhuanghe Sub-branch and the vice president of Zhongshan Sub-branch in Dalian, Liaoning Province, the deputy general manager of the Business Department of the Provincial Branch, the president and secretary of the Party Committee of Dalian Ganjingzi Sub-branch. From July 1999 to August 2002, Mr. SUN worked for Zhongshan Square Sub-branch of Bank of China Dalian Branch, Liaoning Province, acting as a credit officer of the Retail Business Department, the deputy director of the Savings Division and the chief of Due Diligence Group of Risk Management Department. From August 1994 to July 1999, Mr. SUN worked in the Credit Card Division and the Credit Management Division of Bank of China Dalian Branch, Liaoning Province. Mr. SUN has 29 years of experience in banking operation and management.

Mr. SUN obtained his doctorate of finance from Northeast University of Finance and Economics in June 2013 and holds the title of senior economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. LIU Xu (柳旭), aged 55, was elected as an executive Director of the eighth session of the Board of the Bank in February 2024 and was elected as the President of the Bank in April 2023. Ms. LIU has served as a member of the CPC Committee of the Bank since June 2022. Ms. LIU served as a member of the CPC Committee and Vice President of the Northeast Institute of China Construction Bank Research and Training Center (formerly Northeast College of China Construction Bank University) from September 2021 to May 2022. From September 2016 to September 2021, Ms. LIU served as a member of the Party Committee and Vice President of the Liaoning Branch of China Construction Bank. During the period from December 2014 to September 2016, Ms. LIU was assistant to the president and a member of the Party Committee of Liaoning Branch of China Construction Bank. During the period from December 2011 to December 2014, Ms. LIU served as the deputy general manager (in charge of work) of the Corporate Business Department, the general manager and the director of the Corporate Pension Center, and a member of the disciplinary committee of Liaoning Branch of China Construction Bank. During the period from December 2003 to December 2011, Ms. LIU was the deputy head of Nanhu Science and Technology Development Zone Sub-branch of Liaoning Branch of China Construction Bank, the deputy general manager of asset assurance, the deputy general manager of the Corporate Business Department, the deputy head of Nanhu Science and Technology Development Zone Sub-branch (in charge of work), and secretary of general party branch. During the period from July 1990 to December 2003, Ms. LIU served as assistant general manager and deputy general manager of the International Business Department of Liaoning Branch of China Construction Bank.

Ms. LIU obtained a bachelor's degree in economics from Liaoning University in July 1990. Ms. LIU has the senior economist title.

Mr. WANG Yigong (王亦工), aged 57, was elected as an executive Director of the eighth session of the Board of the Bank in February 2024. He has been the vice president of the Bank since December 2012, has served as a member of the Party Committee of the Bank from August 2012 to June 2022 and from September 2023 to present, and has served as an executive Director of the Bank from August 2013 to October 2020. Mr. WANG also served as the president of Tianjin branch of the Bank from August 2020 to November 2020, the chief risk officer of the Bank from January 2013 to November 2019 and concurrently as the director of the development strategy research center of the Bank from January 2009 to March 2018. Mr. WANG held the position of general manager of the Credit and Loan Management Department of the Bank from January 2006 to January 2013. During the period from June 1998 to January 2006, Mr. WANG held the positions of deputy general manager of the Bank's Asset Security Department, head of Liaoshen Sub-branch and head of Zhenghao Subbranch. Mr. WANG also worked for Industrial and Commercial Bank of China

Mr. WANG graduated from The Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in November 2002, majoring in finance. Mr. Wang has a title of economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. ZHANG Xuewen (張學文), aged 56, was elected as an executive Director of the eighth session of the Board of the Bank in February 2024. He has been respectively serving as the vice president of the Bank since January 2019 and a member of the Party Committee of the Bank since May 2019. Mr. ZHANG served as the secretary of the Party Committee and president of the Changchun branch of the Bank from January 2014 to January 2019, the general manager of the Marketing Department of the Bank from August 2012 to January 2014, the vice president of Changchun branch of the Bank from April 2011 to August 2012. From September 2003 to April 2011, Mr. ZHANG successively served as a supervisory researcher at the Deputy Department Director level of the Central Bank Department of the Jilin Banking Regulatory Bureau, the director of the Second Corporate On-site Inspection Department of the Jilin Banking Regulatory Bureau and its Contact Group for Improving Small Enterprises' Financial Services. From December 1998 to September 2003, Mr. ZHANG successively served as a senior staff member of the Second Inspection Department and a principal staff member of the Central Bank Department of the Changchun Financial Regulation Bureau. During the period from August 1991 to December 1998, Mr. ZHANG worked in Jilin People's Bank.

Mr. ZHANG obtained a master's degree in political economics from Dongbei Normal University in December 2001 and has a title of economist.

Mr. HE Yixuan (何一軒), aged 40, was elected as an executive Director of the eighth session of the Board of the Bank in February 2024. He has been respectively serving as the vice president of the Bank since December 2022 and a member of the Party Committee of the Bank since September 2023. From March 2022 to December 2022, Mr. HE served as the director of Corporate Business of the Bank. From August 2019 to August 2022, Mr. HE served as the General Manager of the Institutional Business Department and from January 2020 to October 2021 as the Deputy President of the Shenyang Branch. From August 2016 to August 2019, Mr. HE successively served as a member of the Party Committee of the Beijing Branch of the Bank, Deputy General Manager of the Investment Banking Department of the Head Office of the Bank and Head of the Office of the President. From July 2007 to August 2016, Mr. HE successively worked at Shenzhen Yitian Group Co., Ltd., Beijing Tianrun Holdings Group Co., Ltd., and Liaoning Fangda Group Industrial Co., Ltd..

Mr. HE received his Bachelor's degree in law from Peking University in July 2005 and his Master's degree in law from Peking University in July 2007. Mr. HE has the title of senior economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Non-executive Directors

Mr. SUN Zhenyu (孫振宇), aged 48, was elected as a Non-executive Director of the eighth session of the Board of the Bank in February 2024. He has been serving as the deputy secretary of the Party Committee and the general manager of Shenyang Industrial Investment Development Group Co., Ltd. since May 2023. Mr. SUN served as a member of the Standing Committee of the Heping District Committee in Shenyang and successively served as the director of the District Committee Office and the executive deputy district chief of the Government from April 2019 to May 2023. Mr. SUN successively served as the director of the Street Office of Huishan Street of Shenbei New District, the deputy director of the Management Committee of Huishan Economic Development Zone (Huishan Agricultural Hi-Tech Zone) and the director of the Office of Shenbei New District Government in Shenyang from July 2007 to April 2019. Mr. SUN successively served as a section member and deputy head of the Shenyang Municipal Judicial Bureau, and head of the Office of the Propaganda Department of the Municipal Party Committee from September 1998 and July 2007.

Mr. SUN received his bachelor's degree in engineering of Shenyang Normal University in July 1998.

Mr. HE Peng (何鵬), aged 42, was elected as a Non-executive Director of the eighth session of the Board of the Bank in February 2024. He has been serving as the deputy general manager of Shenyang Shengjing Finance Investment Group Co., Ltd. (瀋陽盛京金控投資集團有限公司), the chairman of the board of directors of Shenyang Shengjing Credit Co., Ltd.* (瀋陽盛京徵信有限公司) and the chairman of the board of directors of Shenyang Digital Industry Development Co., Ltd. (瀋陽數字產業發展有限公司) since February 2021. From July 2018 to August 2023, Mr. HE successively served as the head of the integrated management department and the chief operating officer of Shengjing Finance Investment Group Co., Ltd., and concurrently served as the chairman of the board of directors of Shenyang Hengxin Asset Handling Co., Ltd. and the chairman of the board of directors of Shenyang Shengjing Zhizao Development Co., Ltd. (瀋陽盛京智造發展有限公司). Mr. HE served as the deputy director of the office, the director of the office (Party Office) and a member of the Party Committee of Shenyang Assets Exchange and Equity Exchange* (瀋陽聯合產權交易所) from October 2007 to July 2018, the chairman of Shenyang Rural Comprehensive Property Rights Trading Center Co., Ltd. (瀋陽農村綜合產權交易中心有限公司) from July 2015 to May 2018, and a staff member of Liaoning Shenyang State-owned Assets and Property Rights Registration Office (遼寧省瀋陽市國有資產產權登記辦公室) from November 2004 to October 2007.

In July 2004, Mr. HE obtained a bachelor's degree in engineering from Northeastern University.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. YANG Xiu (楊秀), aged 53, was elected as a Non-executive Director of the eighth session of the Board of the Bank in February 2024. She has served as a shareholder Supervisor of the seventh session of the Board of Supervisors from May 2022 to February 2024, and has served as the chairwoman of Shenyang Technology Venture Capital Co., Ltd. since November 2020, and also the chairwoman of Shenyang Hengxin Antai Equity Investment Fund Management Co., Ltd. since July 2022. Ms. YANG concurrently served as the chairwoman of Shenyang Shengjing Financing Guarantee Co., Ltd. from February 2020 to August 2022, the chief officer of Shenyang Technology Venture Capital Co., Ltd. from September 2018 to November 2020, the deputy head (at deputy department director level) of Shenyang Technology Venture Development Business Center (Shenyang Interim Service Center) (瀋陽市中試服務中心) from March 2014 to September 2018, and the general manager of Shenyang Technology Venture Capital Co., Ltd. from March 2014 to May 2018 and the deputy head (at deputy department director level) of Shenyang Torch Hightech Industry Development Center from May 2012 to March 2014. Ms. YANG successively served as the head of the Guarantee Fund Department of Shenyang Private Science and Technology Institutions Coordination Service Center, the head of the Investment Department of Shenyang Technology Venture Development Business Center from July 1994 to May 2012.

Ms. YANG received her Bachelor's degree in engineering from Dalian University of Technology in July 1994 and her academic ability equivalent to master's degree in National economics from Dongbei University of Finance and Economics in July 2004. Ms. YANG has the professional qualifications of Senior Engineer and Senior Management Accountant.

Ms. WANG Hongmei (王紅枚), aged 42, was elected as a Non-executive Director of the eighth session of the Board of the Bank in February 2024. She has been successively served as the head of the Risk Compliance Department and the chief compliance and risk control officer and the general manager of the Compliance and Risk Control Department (at group director level) of Shenyang Shengjing Financial Holding Investment Co., Ltd. since January 2018. Ms. WANG successively served as a partner and lawyer of Liaoning Xinli Law Firm and Liaoning Shenxin Law Firm (遼寧瀋鑫律師事務所) from October 2010 to January 2018, the head of the Legal Department of Liaoning branch of Anbang Property & Casualty Insurance Co., Ltd. (安邦財產保險股份有限公司) from January 2009 to October 2010, and a salesperson of the Shenyang office of China Great Wall Asset Management Co., Ltd. from July 2006 to January 2009.

Ms. WANG graduated from law profession of the Law School of Harbin University of Commerce in July 2003, and graduated from economic law profession of the Law School of Liaoning University in June 2006. Ms. WANG is a qualified lawyer.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. WANG Jun (王军), aged 58, was elected as a Non-executive Director of the eighth session of the Board of the Bank in February 2024. He has been respectively serving as the non-executive Director of the seventh session of the Board of the Bank from May 2022 to February 2024, the Party Committee secretary, chairman and general manager of Shenyang Hengxin State-owned Assets Management Group Co., Ltd. since April 2022 and its deputy general manager, general manager, deputy secretary of the Party Committee from November 2012 to April 2022, and a member of the Party Committee of Shenyang Industrial Investment & Development Group Co., Ltd. since May 2015. Mr. WANG served as the deputy general manager of Shenyang Hengxin State-owned Assets Management Group Co., Ltd. from December 2006 to November 2012, the general manager of Shenyang Hengxin Asset Custody Co., Ltd. from August 2003 to December 2006, the head of the Revenue Department, the manager of the Revenue Department of Shenyang Hengxin State-owned Asset Management Group Co., Ltd. from March 2002 to August 2003, a researcher of Investment Department of Shenyang Asset Management Co., Ltd. from December 1999 to March 2022. Mr. WANG also worked at Northeast Securities and Liaoning Trust and Investment Corporation.

Mr. WANG received his bachelor's degree in engineering from Shenyang University of Technology in July 1986 and his master's degree in engineering from Northeastern University in March 1995. Mr. Wang has the qualification of senior engineer.

Independent non-executive Directors

Mr. WANG Mo (王沫), aged 59, was elected as an Independent non-executive Director of the eighth session of the Board of the Bank in February 2024. He was appointed as an independent non-executive Director of the seventh session of the Board of the Bank in May 2022. Mr. WANG has been serving as the chief partner and chairman of Liaoning Guangming Accounting Firm Co., Ltd. since February 1996. Mr. WANG worked at Shenyang Accounting Firm from August 1988 to February 1996. Since January 2024, he has served as an external director of Shenyang Shengjing Asset Management Group Co., Ltd.. From October 2018 to December 2023, Mr. WANG served as an external director of Shenyang Zhongcheng State-owned Assets Management Group Co., Ltd.; and from March 2019 to November 2022, Mr. WANG served as an external director of Shenyang Blower Group Co., Ltd..

Mr. WANG graduated from the Department of Infrastructure of Dongbei University of Finance and Economics in July 1988, majoring in finance and credit, and obtained a master's degree in economics from Dongbei University of Finance and Economics in June 2001. Mr. WANG has the professional qualification as a certified public accountant in the PRC.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. LV Dan (呂丹), aged 45, was elected as an Independent non-executive Director of the eighth session of the Board of the Bank in February 2024. She was appointed as an independent non-executive Director of the seventh session of the Board of the Bank in May 2022. Ms. LV Dan has been the dean of the Investment Project Management Institute, Dongbei University of Finance and Economics since August 2022, and served as the deputy dean of the School of Public Administration, Dongbei University of Finance and Economics from December 2012 to August 2022. From April 2004 to December 2012, Ms. LV served as a teacher at the School of Public Administration of Dongbei University of Finance and Economics, and from January 2008 to April 2011, Ms. LV Dan was engaged in postdoctoral research at the Postdoctoral Station of Political Science in Nanjing University.

Ms. LV received her bachelor's degree in economics from Dongbei University of Finance and Economics in July 2001 and her master's degree and doctor's degree in economics from Dongbei University of Finance and Economics in April 2004 and December 2007, respectively. Ms. LV was credited as a professor in July 2021.

Mr. CHAN Pak Lam, Tom (陳柏楠), aged 61, was elected as an Independent non-executive Director of the eighth session of the Board of the Bank in February 2024. He has been serving as the deputy chairman of Success Universe Group since February 2018 and also serves as the managing partner of Syndicate Capital International Limited (聯企融資國際有限公司), the chairman of Leyton House Appraisal and Consultancy Services Company Limited (利登侯士評估及諮詢有限公司), a partner of Blackhorse Wealth Management Limited (黑馬財富管理有限公司) and a consultant solicitor of WAI & CO., SOLICITORS (衛氏律師行). From December 2012 to September 2020, Mr. CHAN served as the chief executive officer of Success Finance Group. From May 2010 to December 2012, Mr. CHAN served as the chief executive officer of Glorious Group (香港榮聲集團). From August 2002 to May 2010, Mr. CHAN served as the general manager of Emperor Securities Limited and Emperor Futures Limited. From September 1993 to April 2007, Mr. CHAN served as an executive director and a director of the legal compliance department of Emperor International Holdings Limited. From September 1994 and May 2010, Mr. CHAN was concurrently a licensed director of Emperor International Exchange (Hong Kong) Company Limited, an executive director of Emperor Finance Limited and an executive director and general manager of Emperor Capital Group Limited. Mr. CHAN also served as the general manager of Happiness Group (Holdings) Limited (幸福集團(控股)有限公司), the manager of the legal department of Chung Wah Shipbuilding & Engineering (Holdings) Co., Ltd. and a solicitor of DLA Piper Hong Kong.

Mr. CHAN obtained a Bachelor degree in Economics and Law from the University of Keele in England in 1987. Mr. Chan is admitted as a solicitor of the Hong Kong Law Society and is a licensed person under Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities of the Securities and Futures Commission of Hong Kong and the Life Honorable President of The Institute of Securities Dealers in Hong Kong.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. WANG Lan (王嵐), aged 54, was elected as an Independent non-executive Director of the eighth session of the Board of the Bank in February 2024. She has been serving as the director of Liaoning Hechang Law Firm since April 2012. She has served as a partner lawyer of Liaoning Luoliyan Law Firm (遼寧羅力彥律師事務所) from December 2009 to April 2012. Ms. WANG has served as an employed lawyer of Liaoning Qianjun Law Firm (遼寧乾均律師事務所) from May 2004 to December 2009. Ms. WANG has successively served as a trainee and employed lawyer of Liaoning Huaxia Law Firm (遼寧華夏律師事務所) from January 2001 to April 2004. Ms. Wang has served as the deputy director (in charge of work) of the Issuance Department of the Dalian Municipal Government Listing Office (大連市政府上市辦發行處) from December 1998 to December 2000, she has successively served as the staff member and deputy director (in charge of work) of the Issuance Department of the Dalian Municipal Securities Administration Office (大連市證券管理辦公室發行處) from December 1994 to December 1998, and she has successively worked in Dalian Xigang District Personnel Bureau (大連市西崗區人事局), the Industrial and Commercial Bank Dalian Trust and Investment Co., Ltd. (工商銀行大連信託投資股份有限公司) and Junan Securities Co., Ltd. (君安證券有限公司) from September 1991 to December 1994.

Ms. WANG obtained a bachelor of Arts degree from Shandong University in July 1991, a master of economics degree from Dongbei University of Finance & Economics in April 2003, a bachelor of Laws degree from Dalian Maritime University in July 2008, and a master of Laws degree from Shandong University in July 2009. Ms. Wang holds a senior economist's license.

Mr. HUANG Weiqiang (黃瑋強), aged 41, was elected as an Independent non-executive Director of the eighth session of the Board of the Bank in February 2024. He has been serving as a professor in the Department of Finance at the College of Business Administration of Northeastern University since January 2020. Mr. HUANG served as an associate professor in the Department of Finance at the College of Business Administration at Northeastern University from January 2012 to January 2020, and he went to the Risk Management and Financial Engineering Laboratory of University of Florida as a visiting scholar from August 2015 and August 2016. Mr. HUANG has served as a lecturer in the Department of Finance at the College of Business Administration at Northeastern University from March 2009 to January 2012 and he has been serving as an independent director of Shenyang Linlong Technology Co., Ltd. (瀋陽麟龍科技股份有限公司) from September 2022 to December 2023.

Mr. HUANG obtained a bachelor's degree in Finance from Northeastern University in June 2004, and a doctoral degree in Management from Northeastern University in January 2009.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

2. Biographies of Supervisors

Shareholder Representative Supervisors

Mr. LIU Yan (劉岩), aged 53, has served as a Shareholder Supervisor and Chairman of the eighth session of the Board of Supervisors of the Bank since February 2024. From June 2023 to February 2024, Mr. LIU has served as a Shareholder Supervisor and the Chairman of the seventh session of the Board of Supervisors of the Bank. Mr. LIU has been a member of the Party Committee of the Bank from September 2023 to date. From November 2021 to April 2023, Mr. LIU served as the deputy secretary-general of Shenyang Municipal People's Government. He served as the deputy secretary of Shenhe District, Shenyang City from May 2021 to November 2021; a member of the standing committee of District Committee and the director of United Front Work Department of Dadong District, Shenyang City from June 2019 to May 2021; the secretary of Working Committee for Discipline Inspection, Shenyang Area of China (Liaoning) Pilot Free Trade Zone from October 2017 to June 2019; the leader of discipline inspection group and a member of the Party Committee of Shenyang Municipal Bureau of Planning and Natural Resources from March 2013 to October 2017; the assistant researcher of Secretariat I, the division-level secretary and the director of Technology Department in the General Office of Shenyang Municipal People's Government from December 2003 to March 2013; a junior officer, a senior officer and the deputy director of the Enterprise Reform Office in Shenyang Municipal Economic and Trade Commission from January 1996 to December 2003. From July 1992 to January 1996, Mr. LIU worked in the Sixth Northeastern Pharmaceutical Factory.

Mr. LIU was granted the bachelor degree of economy by Nankai University in July 1992, was granted the master degree of business administration by Dalian University of Technology in April 2002 and the master degree of public management by Illinois Institute of Technology in May 2009. Mr. LIU has the title of intermediate economist.

Mr. YUEN Wing Shing (袁永誠), aged 77, has served as a shareholder Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. He has been serving as a shareholder Supervisor of the seventh session of the Board of Supervisors of the Bank since October 2020. Mr. YUEN served as a non-executive Director of the Bank during the period of February 2018 to October 2020. He is currently an executive director of The Cross-Harbour (Holdings) Limited (SEHK stock code: 32) and Y. T. Realty Group Limited (SEHK stock code: 75), all of which are public companies listed on the Stock Exchange. He also held a position as senior management with a major bank in Hong Kong for over 20 years.

Mr. YUEN obtained a Diploma in Management Studies awarded jointly by the then Hong Kong Polytechnic and Hong Kong Management Association.

Mr. LI Jinsong (李勁松), aged 53, has served as a shareholder Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. He has been serving as the deputy general manager of Shenyang Wuai Industrial Development Group Co., Ltd. (瀋陽五愛產業發展集團有限公司) since August 2014. From March 2012 to August 2014, Mr. LI served as the deputy director of Wulihe Street Office of Shenhe District. From August 1994 to March 2012, Mr. LI served as the head of the Civil Service Management Department and the financial accountant of the Human Resources and Social Affairs Bureau of Shenhe District.

Mr. LI obtained a bachelor's degree in Science from Liaoning University in July 1994.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

External Supervisors

Mr. XING Tiancai (邢天才), aged 62, has served as an External Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. Mr. XING served as an Independent Non-executive Director of the seventh session of the Board the Bank from February 2018 to February 2024. He has been the dean of the Institute of Monetary and Financial Studies of Dongbei University of Finance and Economics (東北財經大學) and the executive dean of Qingdao Institute of Finance (青島金融研究院) since September 2021. He has been serving as the dean of the Graduate School of Dongbei University of Finance and Economics from May 2017 to August 2021. From December 2016 to May 2017, he served as the head of the development planning and disciplinary construction department of Dongbei University of Finance and Economics. From December 2006 to December 2016, he served as the dean of the School of Finance of Dongbei University of Finance and Economics. From August 1999 to December 2006, he served as the dean of the Vocational Technical School of Dongbei University of Finance and Economics. From August 1986 to August 1999, Mr. XING served as a deputy director of the research section under the School of Investments, a deputy director of the Graduate Department, the head of Higher Education Research successively at Dongbei University of Finance and Economics. From October 2017 to December 2023, Mr. XING served as an independent director of Datong Securities Company Limited (大通證券有限公司).

Mr. XING obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics (遼寧財經學院) in July 1984 and a master's degree in economics and a doctoral degree in economics from Dongbei University of Finance and Economics in September 1987 and March 2003, respectively. He was awarded the title of Professor in December 2000, and was approved as a national second-level professor in 2011.

Ms. MI Juan (米娟), aged 60, has served as an External Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. Ms. MI has been serving as the vice president of Liaoning Statistical Society since December 2019. From April 2002 to September 2022, Ms. MI served as the deputy dean and party secretary of the School of Economics of Shenyang University. From October 2000 to April 2002, Ms. MI served as the deputy dean of the School of Business Administration of Shenyang University and from November 1997 to October 2000, Ms. MI served as the deputy director of the Institute of Economics of Shenyang University. From April 1995 to November 1997, Ms. MI served as the assistant to the head of the Department of Accounting of Shenyang University and from September 1989 to April 1995, Ms. MI served as the head of the Teaching and Research Department of Shenyang University of Finance and Economics.

Ms. MI graduated from Dongbei University of Finance and Economics in July 1986 majoring in Statistics, obtained a master's degree in Economics from Dongbei University of Finance and Economics in July 1989, obtained a master's degree in Business Administration from La Trobe University, Australia in September 2000 and obtained a doctorate degree in Economics from Liaoning University in December 2008. Ms. MI was awarded the title of Professor in June 2002.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. LI Yanxi (李延喜), aged 54, has served as an External Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. Mr. LI has served as a professor in the School of Economics and Management of Dalian University of Technology since March 2015, and has also served as a member of the Guiding Committee on Education of Financial Majors (金融學類專業教學指導委員會) of the Ministry of Education since December 2013, as well as a vice chairman of the Guiding Committee on Education of Financial Majors (金融學類專業教學指導委員會) in Liaoning Province. From September 2010 to March 2015, Mr. LI served as a professor and secretary of the Department of Management and Economics of Dalian University of Technology, and from July 1992 to September 2010, Mr. LI served as an assistant professor, a lecturer, an associate professor, a professor and a deputy dean of the School of Management of Dalian University of Technology.

Mr. LI graduated from Dalian University of Technology in July 1992 majoring in Science and Technology Information, obtained a master's degree in Engineering from Dalian University of Technology in June 1996, obtained a doctorate degree in Management from Dalian University of Technology in March 2003 and engaged in post-doctoral research work from February 2004 to September 2006 in the Department of Business Administration of Xiamen University. Mr. LI was awarded the title of Professor in May 2006 and holds a professional qualification of certified public accountant in the PRC.

Employee Representative Supervisors

Mr. YU Xiaolong (于小龍), aged 46, has served as an Employee Representative Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. From October 2020 to February 2024, he served as an Employee Representative Supervisor of the seventh session of the Board of Supervisors of the Bank. Mr. YU has served as the party secretary of the Party Committee and the president of the Beijing branch of the Bank since July 2020. From February 2020 to July 2020, he served as the deputy party secretary of the Party Committee and the acting president of the Beijing branch of the Bank. Before joining the Bank, Mr. YU held various positions in China Everbright Bank. From November 2018 to January 2020, Mr. YU served as the secretary of the Disciplinary Committee (a level equal to vice president of the tier 1 branch) at its Dalian branch. From February 2015 to November 2018, Mr. YU successively served as the general manager of the Party affairs supervision department (security department) and the general manager of the General Office at its Beijing branch. From March 2011 to February 2015, Mr. YU served as the president of its Beijing Dongcheng sub-branch. From July 1997 to March 2011, Mr. YU served successively in the Head Office of the Bank as a clerk, business director, business head of business office, deputy director of the business office settlement department, director of the comprehensive management division of the agency payment department, director of the collection management division of the agency payment department, and deputy general manager of the agency payment department (in charge of work) at the sales department.

Mr. YU obtained a bachelor's degree in law from Beijing Institute of Technology in October 2005 and a master's degree in engineering from Beihang University in January 2012.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. NIU Jiao (牛角), aged 47, has served as an Employee Representative Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. From October 2020 to February 2024, he served as an Employee Representative Supervisor of the seventh session of the Board of Supervisors of the Bank. Mr. NIU has served as the Party secretary of the Party Committee and the president of the Dalian branch of the Bank since November 2020. From October 2020 to November 2020, Mr. NIU served as the Party secretary of the Party Committee of the Dalian branch. From January 2020 to October 2020, he served as the general manager of the strategic clients department and general manager of the business department of the Bank. From May 2019 to January 2020, Mr. NIU served as member of the Party Committee of the Tianjin branch of the Bank. Before joining the Bank, Mr. NIU held various positions in Shanghai Pudong Development Bank. From January 2017 to May 2019, Mr. NIU served as the general manager of the sales department and general manager of the retail marketing department at its Dalian branch. From October 2010 to January 2017, Mr. NIU served as the president of its Anshan branch. From March 2005 to October 2010, Mr. NIU served successively as a senior clients manager, vice president of the Democracy Square sub-branch and president of the Xigang sub-branch at its Dalian branch. From July 1998 to March 2005, Mr. NIU served as a loan officer and head of credit section at Dalian Bank.

Mr. NIU obtained a bachelor's degree in economics from Dongbei University of Finance and Economics in June 1998 and a master's degree in business administration from the Chinese University of Hong Kong in December 2009.

Mr. CHEN Shijun (陳世俊), aged 49, has served as an Employee Representative Supervisor of the eighth session of the Board of Supervisors of the Bank since February 2024. From August 2022 to February 2024, he served as an Employee Representative Supervisor of the seventh session of the Board of Supervisors of the Bank. Since August 2022, Mr. CHEN has been serving as the General Manager of the Audit Department of the Bank. From April 2020 to August 2022, Mr. CHEN served as Deputy Head of the Office and Head of the Infrastructure Office of the Bank. From January 2014 to January 2019, Mr. CHEN served as Deputy Head of Information Management Department and Social Security Audit Department of Shenyang Municipal Audit Bureau, and from August 2015 to September 2017, he served as the Deputy Director of the Shenyang Shenhe District Audit Bureau (on-the-job training). From December 2006 to January 2014, Mr. CHEN served as a principal staff member of the Information Management Department of Shenyang Municipal Audit Bureau. From May 2003 to December 2006, Mr. CHEN served as a senior staff member of the Office and Information Management Department of Shenyang Municipal Audit Bureau. From August 1997 to May 2003, Mr. CHEN served as a staff member of the Comprehensive Department and Office of Shenyang Municipal Audit Bureau.

Mr. CHEN received his Bachelor's degree in science from Fushun Petroleum Institute in July 1997 and his Master's degree in Computer Systems Engineering from Northeastern University in July 2009. Mr. CHEN has the professional qualification of a senior auditor.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

3. Biographies of Senior Management

For the biography of Ms. LIU Xu (柳旭), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

For the biography of Mr. WANG Yigong (王亦工), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

For the biography of Mr. ZHANG Xuewen (張學文), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

For the biography of Mr. HE Yixuan (何一軒), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

Mr. SUN Yingpin (孫英品), aged 49, was selected as the chairman of Shengyin Consumer Finance Co., Ltd. in December 2023. He was appointed as the Assistant to President of the Bank in August 2021. From June 2021 to December 2023, Mr. SUN also served as the General Manager of the Digital Finance Department of the Bank. From September 2019 to August 2021, Mr. SUN successively served as the general manager of the Retail Banking Department of the Head Office, the director of the retail business of the Bank, and from June 2020 to August 2021, he also served as the general manager of Internet Finance Department (renamed Digital Finance Department since June 2021). From November 2016 to September 2019, he served as the general manager of the Retail Banking Department of the Head Office and concurrently served as the general manager of the Comprehensive Management Department for Wealth Management Business of the Head Office from November 2016 to March 2018. From March 2018 to October 2018, Mr. SUN also served as the general manager of the Wealth Management Department of the Head Office. From April 2011 to November 2016, Mr. SUN served successively as the manager of the Marketing Department, president assistant, the Party committee secretary and vice president (in charge of work) of the Anshan Branch of the Bank. From November 1997 to April 2011, Mr. SUN also held various positions in the Anshan Branch of the Agricultural Bank of China, mainly including the section head of the Business Department, the vice president of the Xiuyan sub-branch and the vice president of Haicheng sub-branch.

Mr. SUN received his bachelor's degree in management from Northeastern University in July 1997, and has the title of intermediate economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. BAO Hong (包宏), aged 52, was appointed as the Chief Financial Officer of the Bank in March 2020. Mr. BAO joined Shenyang Cooperative Bank, the precedent of the Bank in August 1992 and has held various important positions in the Bank. Mr. BAO has been serving as the director of Shengyin Consumer Finance Co., Ltd. from March 2019 to August 2022, and general manager of the Planning Financial Management Department of the Bank since March 2019. From January 2015 to March 2019, Mr. BAO successively served as the vice president of Tianjin Branch, Changchun Branch of the Bank, the Deputy Director of the President's Office of the Bank (in charge of work), the general manager of the Assets and Liabilities Management Department of the Bank. From January 2009 to January 2015, Mr. BAO successively served as the deputy director of the Board Office (in charge of work) and the deputy director of the development strategy research center of the Bank, the executive vice president of Beijing Branch of the Bank, the deputy general manager of Shenyang Business Management Department of the Bank, the chief financial officer of the Bank, the director of the Board Office, the director of the President's Office, the secretary of the Board, and the director of the Listing Promotion Office. From August 1992 to January 2009, Mr. BAO held several positions at the Baogong Branch, the foreign exchange business department, and Binhe Branch of the Bank.

Mr. BAO obtained his master's degree in business administration from Coventry University in the United Kingdom in November 2002. Mr. BAO obtained the professional qualification of senior accountant recognised by Liaoning Provincial Department of Human Resources and Social Security in September 2005.

Mr. ZHOU Zhi (周峙), aged 55, has been appointed as the Secretary of the Board of the Bank since February 2015. Mr. ZHOU joined the Nanhu Sub-branch of Shenyang Cooperative Bank, the Bank's predecessor in August 1991. From June 2006 to September 2019, Mr. ZHOU successively served as the director of the Supervisors' office, the deputy director and director of the strategic development research center of the Bank. From May 2005 to June 2006, Mr. ZHOU served as the deputy director of the president's office of the Bank. From May 1998 to May 2005, he served as the assistant to the general manager and deputy general manager of the market development department and deputy director of the development strategy research center. From August 1991 to May 1998, Mr. ZHOU successively worked as a staff member of the securities department and the City Plaza business department of the Bank (including its predecessor).

Mr. ZHOU obtained his master's degree in business administration from Liaoning University in December 2008. Mr. Zhou has been a senior economist as accredited by Human Resources Department of Liaoning Province since 2003.

Mr. WU Tienan (吳鐵男), aged 54, was appointed as the Chief Information Officer of the Bank in March 2021. Mr. WU joined the Bank in February 2019 and has served as the General Manager of the Information Technology Department of the Bank since February 2019. From February 2004 to February 2019, Mr. WU held various positions at Huaxia Bank, including Project Management Office Manager of Science and Technology Development Center, Information Resource Management Office Manager of Information Technology Department, and Deputy Head of Development Division 2 of Information Technology Department. From April 2001 to February 2004, Mr. WU worked for Shenzhen Development Bank as the Deputy General Manager and General Manager of the Information Technology Department of its Beijing Branch. From February 1998 to April 2001 Mr. WU worked as a software engineer in the Information Technology Department of Guangdong Development Bank Beijing Branch.

Mr. WU received his Bachelor's degree in engineering from Northeastern University in July 1993. Mr. Wu has the title of assistant engineer.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

4. Biographies of Joint Company Secretaries

Mr. ZHOU Zhi (周峙), aged 55, is one of the joint company secretaries of the Bank and was appointed in February 2015. For the biography of Mr. ZHOU, please refer to “Directors, Supervisors, Senior Management and Employees –Biographies of Senior Management”.

Ms. KWONG Yin Ping Yvonne (鄺燕萍), aged 68, is one of the joint company secretaries of the Bank and was appointed in June 2014 with her appointment taking effect on the Listing Date.

Ms. KWONG has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a director of SWCS Corporate Services Group (Hong Kong) Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. KWONG received a bachelor’s degree in accounting from Hong Kong Polytechnic University in November 1997. She is a fellow member of both The Hong Kong Institute Chartered Secretaries (currently known as The Hong Kong Chartered Governance Institute) and The Institute of Chartered Secretaries and Administrators (currently known as The Chartered Governance Institute in United Kingdom) since 2012.

8.4 EMOLUMENT OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE BANK

The remuneration of executive Directors and Shareholder Supervisor Mr. Liu Yan of the Bank is determined in accordance with the Remuneration Management Measures of the Bank, which specifically includes basic remuneration, performance remuneration and other benefits, wherein the basic remuneration of the aforementioned individuals is determined based on their management positions in the Bank, performance remuneration is determined based on the Bank’s operating performance and personal assessment (mainly based on aspects such as their implementation of the Board’s decision and deployment, performance of job responsibilities, operating performance, management performance, and comprehensive evaluation), and other benefits include statutory pension, medical and housing provident fund, enterprise annuity, etc.

No remuneration is received by Mr. YUEN Wing Shing and Mr. LI Jinsong, the Bank’s Non-executive Directors and Shareholder Supervisor, from the Bank.

The remuneration of Independent Non-executive Directors and external Supervisors of the Bank is determined in accordance with the Allowance System for Directors and Supervisors of the Bank. The basic remuneration of Independent Non-executive Directors of the Bank is RMB10,000 per month. The basic remuneration of External Supervisors of the Bank is RMB8,000 per month. At the same time, Independent Non-executive Directors and External Supervisors may receive reward remuneration based on their duty performance (mainly including their working hours, meeting attendance, advice and suggestions and participation in corporate governance and other responsibilities and risk-taking factors) each year, the reward remuneration shall be no more than RMB30,000 per year.

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see notes 9 and 10 to the financial statements.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.5 EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES

As at 31 December 2023, the Group had a total of 8,574 employees.

The Bank implements compensation policies that are consistent with the Bank's sustainable development goals, unified with corporate governance requirements, adapted to the risk management system, and matching with the value contribution of employees. Employee compensation consists of fixed compensation, variable compensation, welfare income, etc., which can effectively play the long-term role of short-term incentive and long-term incentive. In the process of salary payment, the supervision regulations are strictly enforced, and the deferred payment is implemented for middle and senior management personnel and personnel in positions with important influence on risk to strengthen risk control.

The Bank has aimed to continuously improve the comprehensive quality and professional competence of its employees, and effectively conducted training activities at each hierarchy level, focusing on compliance management, risk prevention and control, and marketing capability, practically carried out training activities of all levels. Through improving training and management system, the Bank strengthened the establishment of training management team and internal trainer team, formulated training books and testing questions, expanded training channels and enriched training resources by establishing "mobile learning platform of Shengjing Bank". In 2023, a total of 158,828 people have received first and second tier training.



CORPORATE GOVERNANCE REPORT

The Bank strives to enhance the transparency and accountability in corporate governance to ensure a high standard of corporate governance to protect shareholders' rights and enhance corporate value and commitment.

In 2023, the Bank complied with relevant laws and regulations in all material respects. The Bank also conducted performance appraisals on the Board of Directors, senior management, and their members, and further upgraded its standards of information disclosure and standardized its work on management of investor relations, to continuously enhance the level of corporate transparency and governance.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix C1 to the Listing Rules and the Listing Rules governing disclosure of inside information.

Nothing has come to the attention of the Directors to suggest that the Bank was not in compliance with the code provisions set out in the Code during the Reporting Period.

The Bank will strive to continuously review and strengthen its corporate governance to ensure that its corporate governance continues to meet the requirements of the Code and meet the higher expectations of shareholders and investors.

CULTURE

Adhering to the corporate mission of "providing better services for customers, seeking better development for employees, creating greater value for shareholders, and contributing more to society", the Bank, under the guidance of "Red Bank" concept, it takes "People-Oriented Bank" as basis and focus, strives to build a "Smart Bank". The Bank puts full efforts into strengthening customer managements in "Retail and Community Banking" as well as "Inclusive and Industrial Banking", unwaveringly implementing the strategic vision of "becoming a good bank serving enterprises and benefiting the people". The Bank cultivates the values of "integrity, compliance, agility, innovation, and performance". With the operating purpose of serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents, the Bank aspires to be the bank of the citizens and the bank of the city

The Bank is implementing the "12345" development strategy, focusing on two key tasks: "transformational development" and "reform and risk reduction" in line with its strategic vision. The implementation involves three major engines: "institutional reshaping, mechanism reconstruction, and digital transformation," supported by four core guarantees: "Party building leadership, compliance management, risk control, and operational transformation." The Bank is further deepening the transformation across five major business segments: "government financial services, retail banking, inclusive finance, corporate finance, and financial markets." Through the continuous promotion of strategic planning to the business work, the overall development capability of the Bank will be enhanced.



CORPORATE GOVERNANCE REPORT (CONTINUED)

GENERAL MEETING

Information of General Meeting

In 2023, the Bank convened two General Meetings, details of which are set out below:

At the 2022 Annual General Meeting of the Bank convened on 2 June 2023, proposals were considered and approved on the following matters including 2022 Work Report of the Board of Directors, 2022 Work Report of the Board of Supervisors, 2022 Final Financial Accounts and 2023 Financial Budget Report, 2022 Profit Distribution Plan, proposed amendments to the Articles of Association, proposed amendments to the Rules of Procedure for Shareholders' General Meetings, proposed amendments to the Rules of Procedure for Board of Directors, proposed amendments to the Rules of Procedure for Board of Supervisors Meeting, proposed extension of term of validity of financial bonds and relevant authorisation matters, proposed election of executive Director, proposed election of shareholder Supervisor, appointment of auditors for 2023 and the General Mandate to Issue New Shares.

At the Bank's 2023 First Extraordinary General Meeting convened on 31 October 2023, proposals were considered and approved on the following matters including proposed amendments to the Articles of Association, proposed amendments to the Rules of Procedure for Board of Supervisors Meeting and the very substantial disposal in relation to the disposal of assets of the Bank.

The above General Meetings were convened in compliance with the procedures as required by the relevant laws and regulations

CORPORATE GOVERNANCE REPORT (CONTINUED)

THE BOARD AND SPECIAL COMMITTEES

Implementation of Resolutions of General Meetings by the Board

In 2023, the Board exercised its functions and powers in accordance with the Articles of Association of Shengjing Bank Co., Ltd. and implemented the resolutions passed at the General Meeting regarding, among other things, the distribution of 2022 annual profits, amendments to the Articles of Association and other corporate governance systems, the appointment of auditors for 2023 and the appointment of directors and supervisor.

Composition of the Board

As at the Latest Practicable Date, the Board of the Bank comprises a total of 15 Directors, including 5 Executive Directors, namely Mr. SUN jin (Chairman), Ms. LIU Xu, Mr. WANG Yigong, Mr. ZHANG Xuewen and Mr. HE Yixuan; 5 Non-executive Directors, namely, Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu, Ms. WANG Hongmei and Mr. WANG Jun; and 5 Independent Non-executive Directors, namely, Mr. WANG Mo, Ms. LV Dan, Mr. CHAN Pak Lam, Tom, Ms. WANG Lan and Mr. HUANG Weiqiang. The eligibilities of Mr. WANG Yigong, Mr. ZHANG Xuewen, Mr. HE Yixuan, Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu, Ms. WANG Hongmei, Mr. CHAN Pak Lam, Tom, Ms. WANG Lan and Mr. HUANG Weiqiang are subject to approval by the NFRA Liaoning Bureau. Prior to the approval of their qualifications, Mr. SHI Yang, an Executive Director, Mr. SU Qingxiang, Mr. LIANG Zhifang and Mr. JIANG Aiguo, Non-executive Directors, Mr. TAI Kwok Leung, Alexander and Mr. LI Jinyi, Independent Non-executive Directors of the seventh session of the Board will continue to perform their duties as Directors and members of Board committees.

The list of Directors (by category of Directors) was disclosed in all corporate communications issued by the Bank in accordance with the Listing Rules.

The Board is responsible for developing the management system of the Bank and monitoring the decisions on business and financial strategies, results and other important matters of the Bank. The Board is accountable to the general meeting. The Board has delegated the powers and duties in relation to management of the Bank to the management. In addition, the Board has also defined respective terms of reference of the strategic development and ESG committee, the nomination and remuneration committee, the risk control and consumers' rights protection committee, the related party transactions control committee and the audit committee. Details of such committees are set out in this report.

The Board is also responsible for performing the corporate governance functions. During the Reporting Period, the Board performed the corporate governance functions in accordance with code provision D.3.1 of the Code.

The Bank has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Financial, Business and Family Relationships between Directors, Supervisors and Senior Management

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Changes in Directors

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.

Operation of the Board

The Board convenes meetings on a regular basis, including regular meetings at least four times a year and interim meetings when necessary. Board meetings may be conducted by way of on-site meetings or voting via video conference. The agenda for a regular meeting of the Board is prepared after consulting the Directors, which will be notified to all Directors and Supervisors in writing 14 days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board to ensure compliance with the procedures of Board meetings and all applicable rules and regulations.

Detailed minutes of Board meetings are maintained and are available for all attending Directors for their review, comments and signature after the conclusion of such meetings. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The president reports regularly to the Board and is overseen by the Board.

Relevant members of the senior management are invited to participate in Board meetings from time to time to provide explanations and answers to inquiries. Directors can express their opinions freely at Board meetings, and major decisions are made after detailed discussions. A Director must abstain from discussion and voting at a Board meeting on any proposal in which he or she is materially interested, and must not be counted in the quorum for such proposal.

The Board has set up an office as its working body, which is responsible for the preparation of general meetings, Board meetings and meetings of the special committees under the Board, information disclosure and other routine matters.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Duties and Powers of the Board

Duties and powers of the Board mainly include, but are not limited to, the following:

- (1) convene and report at shareholders' general meetings;
- (2) implement resolutions adopted at shareholders' general meetings;
- (3) make decisions on the Bank's business plans and investment plans, formulate the Bank's operational development strategies;
- (4) formulate the Bank's annual financial budgets and accounts;
- (5) formulate the Bank's proposals on profit distribution and loss recovery plans;
- (6) formulate proposals on the increase or reduction of the Bank's registered capital and the issue and listing of bonds and other securities;
- (7) formulate plans for significant acquisitions, purchase of the Bank's shares, or merger, division or dissolution or other change in form of the Bank;
- (8) decide on matters within the scope authorised at a shareholders' general meeting, including major external investments, asset acquisition and sales, pledge of assets, external guarantee, trust management, related transactions, etc.;
- (9) decide on the establishment of the Bank's internal management departments and overseas branch office which is not a legal person;
- (10) appoint or remove the Bank's president, vice president and other senior management officers in accordance with the recommendations of the chairman, and determine their remunerations, rewards and punishment;
- (11) formulate proposals on the remuneration and subsidies of the Directors of the Bank;
- (12) formulate the basic management systems, decide on the policies on risk management, internal control and compliance of the Bank;
- (13) formulate amendments to the Articles of Association of the Bank;
- (14) formulate the information disclosure system of the Bank, incorporate the risk management work of the Bank's information into daily operation, implement responsibility of various aspects and manage the disclosure of information of the Bank;
- (15) propose at a shareholders' general meeting the engagement, replace or discontinuance of engagement of an accounting firm of the Bank;



CORPORATE GOVERNANCE REPORT (CONTINUED)

- (16) supervise and evaluate the work performance of the Directors and senior management officers of the Bank, listen to the president's work report and inspect the president's work;
- (17) consider any major capital expenditure, contract and commitment which exceeds the expenditure limit for senior management officers set by the Board of Directors;
- (18) formulate proposals on the sale or transfer of all or substantially all of the Bank's business or asset;
- (19) draw up share incentive and equity repurchase plans of the Bank; and decide on the measures to link employees' salaries with the operational performance of the Bank;
- (20) report to the relevant authorities of the government in accordance with the laws and regulations with respect to significant events involving operational risks and financial security as well as major decisions that are likely to lead to financial risks and financial security issues before such decisions are made;
- (21) be responsible for the management of equity affairs of the Bank, and take the ultimate responsibility for the management of equity affairs;
- (22) be responsible for the protection of consumer rights, and take the ultimate responsibility for the protection of consumer rights, take the protection of consumer rights into each segment of corporate governance, incorporate the protection of consumer right into our business development strategies and corporate culture;
- (23) be responsible for anti-money laundering management work of the Bank, and take the ultimate responsibility for the management of money laundering risks;
- (24) implement requirements of the laws, administrative regulations, departmental rules or the Articles of Association as well as other duties and powers granted by the shareholders' general meeting.

The resolutions of the above matters of the Board must be approved by more than half of all the Directors, but in respect of matters required by Article 184 of the Articles of Association, the resolutions must be approved by more than two-thirds of all the Directors.

Appointment of Directors

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Meetings

Pursuant to the Code, the Board is required to convene regular meetings at least four times every year. Such regular meetings do not include obtaining Board approval through circulating written resolutions.

In 2023, the Board convened 9 meetings in total (including voting via video conference), at which 58 proposals were considered and approved, and 3 matters were heard, mainly including: 2022 Work Report of the Board of Directors, 2022 Annual Financial Report, 2022 Final Financial Accounts and 2023 Financial Budget Report, 2022 Profit Distribution Plan, 2022 Announcement of Annual Results and 2022 Annual Report, 2022 Annual Performance Appraisal of Senior Managers, Report on Evaluation of Internal Control Compliance, Total Risk Management Report, Work Report on Internal Audit, Work Report of Consumer Rights Protection Committee, 2023 Institutional Network Construction and Development Plan and 2023 Interim Report, etc.

Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2023 are set out below:

Members of the Board	Attendance in person/by proxy/required attendance (times)						
	Board	Strategic Development and ESG Committee	Nomination and Remuneration Committee	Risk Control and Consumers' Rights Protection Committee	Related Party Transactions Control Committee	Audit Committee	General Meetings
Executive Directors							
SUN Jin	4/0/4	0/0/0	0/0/0				1/0/1
LIU Xu	9/0/9				2/0/2		2/0/2
SHI Yang	9/0/9				2/0/2		2/0/2
Non-executive Directors							
SU Qingxiang	9/0/9	2/0/2					1/0/2
LIANG Zhifang	9/0/9					2/0/2	0/0/2
WANG Jun	9/0/9		3/0/3			2/0/2	2/0/2
JIANG Aiguo	9/0/9	2/0/2		2/0/2			1/0/2
Independent Non-executive Directors							
TAI Kwok Leung, Alexander	9/0/9			2/0/2		2/0/2	2/0/2
LI Jinyi	9/0/9	2/0/2	3/0/3		2/0/2		2/0/2
WANG Mo	9/0/9			2/0/2		2/0/2	2/0/2
LV Dan	9/0/9		3/0/3		2/0/2		2/0/2
Former Directors							
SHEN Guoyong	3/0/3	1/0/1	2/0/2	1/0/1			0/0/0
LI Ying	5/0/5			1/0/1			1/0/1
XING Tiancai	9/0/9		3/0/3		2/0/2	2/0/2	2/0/2



CORPORATE GOVERNANCE REPORT (CONTINUED)

Notes:

- (1) Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.
- (2) Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present.
- (3) Attendance in person includes participation by way of physical attendance as well as participation by way of electronic means such as telephone and online video conference.

Board Independence

The Bank has established the following mechanisms to ensure the Board will provide independent opinions and views:

- (1) During the Reporting Period, the composition of the Board met the requirements under the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.
- (2) The independent non-executive Directors do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.
- (3) Independent Non-executive Directors’ independence is assessed upon appointment, annually, and from time to time where the circumstances warrant reconsideration. The Bank has received the annual confirmation from each independent non-executive Director confirming his independence as required by the Listing Rules. The Bank considers that all independent non-executive Directors are independent.
- (4) During the Reporting Period, the Bank’s independent non-executive Directors duly attended the meetings of the Board and the special committees thereof and provided independent and objective advice on various material decisions at the meetings of the Board and relevant special committees by application of their professional capabilities and industrial experiences. They are encouraged to express freely their independent views and constructive challenges during the Board and/or special committee meetings. The Bank’s independent non-executive Directors strengthened their communication with the senior management business departments and external auditors and thoroughly studied the operation and management of the Bank. They effectively fulfilled their fiduciary and diligent obligations and provided strong support to the Board for it to make rational decisions and protected the interests of the Bank and its Shareholders as a whole.
- (5) External independent professional advice is available to all Directors, including Independent Non-executive Directors, whenever deemed necessary. Directors would be reimbursed for any professional fees in relation to their fulfilment of the roles and responsibilities.

The Board has reviewed the mechanisms above and confirmed that they effectively ensure the Board has access to independent opinions and views.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for the preparation of the financial statements of the Bank for the year ended 31 December 2023.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2023, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

The newly appointed Director of the Bank received a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing Rules, applicable laws and regulatory rules. During the Reporting Period, some members of the Board of Directors of the Bank conducted research on Shenyang Branch and relevant departments of the head office, facilitating the directors' understanding of the department functions, organizational structure, key tasks, as well as the problems and challenges faced by the Bank. This effort aimed to provide insights and recommendations for the future transformation and development of the Bank.

The Bank has attached great importance to the continuous professional development and training of its Directors, and provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will have sufficient information and comply with good corporate governance codes. During the Reporting Period, the Bank invited intermediaries and institutions and departments within the industry to hold seminars and trainings on the continuing obligations of directors of listed companies, Corporate Governance Guidelines for Banking and Insurance Institutions, the comprehensive risk management of commercial banks, and equity management measures and regulations of commercial banks, so as to continuously strengthen the self-construction of the Board of Directors and enhance the performance capabilities of the Directors. The Bank attaches importance to the construction of a clean and transparent financial culture, nurturing a political environment characterized by integrity and purity. Regular anti-corruption education is conducted, including integrity reminders and discussions with newly appointed members of the head office, departments and branch leadership teams. The Bank organizes educational activities to raise awareness about corruption cases. The company secretary of the Bank is responsible for maintaining records of Directors' participation in training. According to the records maintained by the Company, in 2023, the Directors have participated in continuous professional development and training as below:



CORPORATE GOVERNANCE REPORT (CONTINUED)

Types of continuous professional
development training**Executive Directors**

SUN Jin (<i>Chairman</i>)	A,B
LIU Xu	A,B
SHI Yang	A,B

Non-executive Directors

SU Qingxiang	A,B
LIANG Zhifang	A,B
WANG Jun	A,B
JIANG Aiguo	A,B

Independent Non-executive Directors

TAI Kwok Leung, Alexander	A,B
LI Jinyi	A,B
WANG Mo	A,B
LV Dan	A,B

Former Directors

QIU Huofa	A,B
SHEN Guoyong	A,B
LI Ying	A,B
XING Tiancai	A,B

A: Attending press briefings and/or training sessions

B: Reading articles, journals, newspapers and/or other materials

CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Governance Functions of the Board

The Board is responsible for establishing sound corporate governance practices and procedures within the Bank. During the Reporting Period, the Board has:

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;
3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

Special Committees under the Board

As at the Latest Practicable Date, the Board had the following committees: Strategic Development and ESG Committee, Nomination and Remuneration Committee, Risk Control and Consumers' Rights Protection Committee, Related Party Transactions Control Committee and Audit Committee. The Board committees have been operated in accordance with their respective terms of reference defined by the Board.

Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in members of the Board of Directors of the Bank. Among whom, the terms of office of Mr. WANG Yigong, Mr. ZHANG Xuewen, Mr. HE Yixuan, Mr. SUN Zhenyu, Mr. HE Peng, Ms. YANG Xiu, Ms. WANG Hongmei, Mr. CHAN Pak Lam, Tom, Ms. WANG Lan and Mr. HUANG Weiqiang as members of the special committees will take effect upon approval of their qualifications by the NFRA Liaoning Bureau.

(I) Strategic Development and ESG Committee

As at the Latest Practicable Date, the Strategic Development and ESG Committee of the Bank consisted of 5 Directors, including Mr. SUN Jin as the chairman, Mr. SUN Zhenyu as the vice chairman, and Ms. LIU Xu, Ms. YANG Xiu and Mr. HUANG Weiqiang as members.

The primary duties of the Strategic Development and ESG Committee:

1. review the Bank's medium- to long-term development plans and make recommendations to the Board; supervise and evaluate the process of strategic implementation, and put forward relevant recommendations; and propose strategic adjustment suggestions based on changes in the business environment;
2. review the annual financial budget and final accounts, and make recommendations to the Board;
3. supervise and inspect the implementation of the annual operation plans and investment plans;



CORPORATE GOVERNANCE REPORT (CONTINUED)

4. provide opinions, suggestions and strategies on the Bank's development strategy, operation and development and other significant events;
5. review the strategic capital allocation (such as capital structure, capital adequacy ratio) and the objectives of assets and liabilities management, and make recommendations to the Board;
6. review major institutional establishment and adjustment plans, and make recommendations to the Board;
7. review the Bank's plans for establishment and development of branches, and make recommendations to the Board;
8. review the Bank's plans for material investment and financing, disposal of assets, mergers and acquisitions, and make recommendations to the Board;
9. coordinate and promote the development of the Bank's environmental, social and governance (ESG) system, review reports on ESG-related work, study trends in sustainable development and ESG development, relevant policies and regulations, ensure the Bank's compliance with and adherence to applicable laws, regulations and supervisory requirements, and promote the implementation of other ESG-related work required by the government and regulatory authorities;
10. supervise, inspect and evaluate the implementation of the Bank's ESG work, and make recommendations to the Board on the Bank's development strategy and ESG-related matters;
11. inspect and assess the integrity of the Bank's corporate governance structure to ensure that financial reports, risk management and internal controls are in line with the Bank's corporate governance standards;
12. review the Bank's information technology strategic plan and annual business continuity management plan;
13. determine the green finance development strategies, approve the green finance goals set and green finance report submitted by the senior management, and supervise, assess the implementation of the Bank's green finance development strategies; and
14. other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the Strategic Development and ESG Committee held 2 meetings, at which 13 proposals were considered, mainly including the Summary of the Business Work in 2022 and the Arrangement for Business Work in 2023, 2023 Institutional Network Construction and Development Plan and 2022 Green Credit Implementation Report, 2023 - 2025 strategic planning of capital management and the evaluation and Analysis report for capital adequacy ratio for 2022, etc.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(II) *Nomination and Remuneration Committee*

As at the Latest Practicable Date, the Bank's Nomination and Remuneration Committee consisted of 5 Directors, including Ms. LV Dan as the chairlady, Mr. SUN Jin as the vice chairman, Ms. WANG Hongmei, Mr. WANG Mo and Mr. CHAN Pak Lam, Tom as members. The composition of the Nomination and Remuneration Committee of the Bank complies with Rule 3.25 of the Listing Rules and paragraph B3 of the Code of Corporate Governance.

The primary duties of the nomination and remuneration committee include:

1. *Nomination and review*

- (1). review, at least annually, the structure, size and composition (including the skills, knowledge and experience) of the Board, according to the Bank's operation, asset size and ownership structure, and make recommendations with regard to any contemplated changes made to the Board in line with the Bank's development strategy and operation strategy implementations;
- (2). research and formulate the procedures and standards for electing the Directors and senior management, identify individuals with suitable qualifications for Directors and senior management of the Bank, and make recommendations to the Board, the committee shall exercise its right to nominate directors in an independent and prudent manner, free from the influence of shareholders;
- (3). conduct preliminary reviews of the qualifications of potential Directors and senior management, and make recommendations to the Board;
- (4). assess the independence of the independent non-executive Directors;
- (5). make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairman and President of the Bank;
- (6). develop and review in appropriate cases the Bank's policy concerning diversity of the Board members, and make disclosure of the relevant policy or a summary of the policy in the corporate governance report of the Bank;

2. *Remuneration assessment*

- (1). study and formulate the standards for appraising Directors and senior management and conduct appraisals and put forward proposals to the Bank;
- (2). review the remuneration management policies and systems of the Bank, formulate appraisal, remuneration and incentive plans for the Directors and senior management, review the matters relating to the share plan mentioned in Chapter 17 of the Listing Rules, and make recommendations to the Board and supervise the implementation of the relevant policies, systems and plans. The nomination and remuneration committee must consult the Chairman or the President of the Bank in respect of the remuneration suggestions of executive Directors and senior managers;



CORPORATE GOVERNANCE REPORT (CONTINUED)

- (3). review and approve remuneration suggestions by management based on the corporate goals and objectives formulated by the Board;
- (4). determine the remuneration packages of the executive Directors and senior management under authorisation of the Board, or make suggestions to the Board in respect of the remuneration packages of the executive Directors and senior management;
- (5). make suggestions to the Board in respect of the remuneration packages of the non-executive Directors;
- (6). consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of the Bank's other posts;
- (7). review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable but not excessive;
- (8). review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable;
- (9). ensure that no Director or any of their associates is involved in deciding his or her own remuneration; and

3. *Other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.*

During the Reporting Period, the Nomination and Remuneration Committee convened 3 meetings, at which 8 proposals were considered, mainly including matters such as the 2022 annual performance review of senior management, the appointment President of the Bank, the election of the Chairman, etc. In the process of electing Directors and Chairman, the Nomination and Remuneration Committee fully evaluated the skills, knowledge and experience of the candidates, and preliminarily reviewed the candidate's qualifications in accordance with relevant laws and regulations. The nomination and remuneration committee make recommendations to the Board in conjunction with relevant policies of the Bank, including but not limited to, the diversity policy of the Board.

The diversity policy of the Board is summarised as follows:

The Board believes that a diverse composition will enable the Bank to, in a more efficient manner, improve the work quality and efficiency of the Board, understand and meet customer needs and enhance decision-making ability of the Board. In selecting candidates, the Board and the Nomination and Remuneration Committee consider multiple factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and years of service as well as the contribution and value that can be provided to the Board, in order to achieve the diversity of members of the Board. The diversity policy of the Board of directors of the Bank has set quantifiable targets. The Nomination and Remuneration Committee reports annually on the composition of the Board from the perspective of diversity. The Board considers that the current structure and composition of the Board is appropriate to enable it to carry out its responsibilities of leadership and monitoring of the Bank.

CORPORATE GOVERNANCE REPORT (CONTINUED)

As at the Latest Practicable Date, the Board comprised 15 Directors, of whom 1 Director was ordinarily resident in Hong Kong and 5 female directors. Members of the Board are diverse in terms of gender, education background, professional experience, skills knowledge and service term. Mr. WANG Mo has many years of experience in accounting. Ms. LV Dan has many years of experience in investment project management and public administration teaching. Mr. CHAN Pak Lam, Tom has many years of experience in the financial industry. Ms. WANG Lan has many years of experience in legal practice, and Mr. HUANG Weiqiang has many years of experience in financial teaching. The above Directors can promote the diversification of the Board, bringing a wealth of perspectives, professional knowledge, and experience to the Board. The Board would like to keep its female ratio remain at the current level.

The Bank adheres to the principles of diversity and anti-discrimination in employment. In the recruitment, training, promotion and remuneration systems, the Bank treats all employees of different races, nationalities, beliefs, genders, ages, marital status and those under special legal protection equally. It strives to provide equal opportunities for employees in all aspects, and actively builds a respectful, open and inclusive corporate culture. The Bank values the diverse talents of employees. The Bank adheres to the principle of gender equality in employment, actively increases the number of female employees, and carries out training and education activities for female management positions. In addition, the Bank also encourages female employees to participate in various activities through various ways to enrich their spare time. Up to now, the Bank has 4,790 female employees, accounting for approximately 56% of the total.

(III) Risk Control and Consumers' Rights Protection Committee

As at the Latest Practicable Date, the Risk Control and Consumers' Rights Protection Committee of the Bank consisted of 5 Directors, including Mr. WANG Mo as the chairman, Ms. LIU Xu as the vice chairlady, and Mr. ZHANG Xuewen, Mr. HE Peng and Mr. HUANG Weiqiang as members.

The primary duties of the Risk Control and Consumers' Rights Protection Committee include:

1. review and inspect the responsibilities, authorities, and reporting system of senior management on risks, effectively promote the construction of a risk management system, ensure the effectiveness of the Bank's risk management decision-making system and that the risks faced by the Bank's business are under control;
2. review and amend the Bank's strategies, policies procedures and reports of risk management, conduct supervision and evaluation on its implementation and effectiveness in accordance with the Bank's general strategy, and make recommendations to the Board;
3. conduct regular review of the risk report submitted by the senior management (including but not limited to comprehensive risk, compliance risk, market risk, operational risk, credit risk, liquidity risk, information technology risk, and money laundering risk management reports), and fully understand the overall situation of the Bank's risk management, the effectiveness of handling significant risk events, and the effectiveness of monitoring and evaluating daily risk management;
4. ensure that necessary measures are adopted by the senior management to effectively identify, assess, measure, monitor, control, and mitigate various types of risks such as credit, liquidity, market, operational, and money laundering;



CORPORATE GOVERNANCE REPORT (CONTINUED)

5. review and approve overall policies for case prevention, promote the construction of a case prevention management system, clarify the duties and authorities of senior management in case prevention, review case prevention work reports, assess the effectiveness of case prevention work, and ensure that necessary measures are adopted by the senior management to effectively detect, alert, and address case risks;
6. communicate with senior management and departments on a regular basis about the Bank's operations and risk status, conduct regular assessment of the Bank's risk policies, management status and risk tolerance, provide opinions and recommendations to improve risk management and internal control, and ensure the timely submission of risk management matters involving the Bank's customer concentration, major strategic cooperation agreements, etc. by senior management to the committee for consideration;
7. review and approve the Bank's compliance policies, conduct regular review of the compliance risk report submitted by the senior management, and supervise the implementation of the compliance policies;
8. conduct regular review of the Bank's business continuity assessment report and risk preference report, urge senior management to establish risk limits based on the risk preferences set by the Board, adequately communicate and effectively implement the risk management strategies, risk preferences and risk limits determined by the Board;
9. review the report on the annual write-off amount for bad debts;
10. review the Bank's strategies, policies, and objectives for consumer rights protection, incorporate consumer rights protection into corporate governance and business development strategies, and regularly listen to special reports from senior management on the implementation of consumer rights protection of the Bank; and
11. other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, based on the overall risk management strategies of the Bank, the Risk Control and Consumers' Rights Protection Committee reviewed and amended the Bank's risk management policies, regularly reviewed the risk reports submitted by the senior management to further understand the Bank's risk management work and the effectiveness of relevant measures, and made recommendations to the Board.

During the Reporting Period, the Risk Control and Consumers' Rights Protection Committee held 2 meetings, at which 13 proposals were considered, mainly including the 2022 Debt Quality Management Report, 2023 Risk Preference Statement, 2022 business continuity strategy, and 2023 business continuity plan, amendments to *Administrative Measures for Large Risk Exposures of Shengjing Bank Co., Ltd. (2023)*, etc.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) Related Party Transactions Control Committee

As at the Latest Practicable Date, the Related Party Transactions Control Committee of the Bank consisted of 5 Directors, including Mr. HUANG Weiqiang as the chairman, Mr. WANG Yigong as the vice chairman, and Mr. HE Yixuan, Ms. LV Dan and Ms. WANG Lan as members.

The primary duties of the related party transactions control committee include:

1. review and confirm the list and information of related parties of the Bank submitted by the Office of Related Party Transactions Management, report to the Board and the Board of Supervisors, and notify the relevant departments of the Bank of the related parties identified;
2. conduct review of material related party transactions subject to review by the Board and submit such related party transactions to the Board for consideration, or review the related party transactions within its scope of authority; and file general related party transactions reviewed by the Office of Related Party Transactions Management;
3. supervise the Bank's related party transactions; and review the Bank's annual related party transactions and the plan for related party transactions control, and submit to the Board for consideration; review related party transactions listed in the plan for related party transactions control authorized by the Board;
4. communicate with senior management and departments on a regular basis on the Bank's related party transactions and provide advice and recommendations; and
5. other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the Related Party Transactions Control Committee held 2 meetings, at which 4 proposals were considered, mainly including the confirmation of unrelated parties of Shengjing Bank Co., Ltd. at the end of 2022, the situation of related transactions in 2022, the quota control plan for related transactions in 2023, etc.

(V) Audit Committee

As at the Latest Practicable Date, the Audit Committee of the Bank consisted of five Directors, including Mr. CHAN Pak Lam, Tom as the chairman, Mr. HE Peng as the vice chairman, Mr. WANG Jun, Mr. WANG Mo and Ms. WANG Lan as members. The composition of the Audit Committee of the Bank complies with Rule 3.21 of the Listing Rules and paragraph D3 of the Code.

The primary duties of the Audit Committee include:

1. examine the Bank's risks and compliance status, accounting policies, financial reporting process and financial status, review the completeness of the Bank's financial information, including financial statements an annual report and accounts, interim reports (if any) and quarterly reports (if any), and review the major opinion related to financial reporting as disclosed in the statements and reports.

The audit committee must liaise with the Board and senior management with regard to the above matters and meet at least twice a year with the external auditors. The audit committee must consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer (if any) or external auditors;



CORPORATE GOVERNANCE REPORT (CONTINUED)

2. relationship with external auditors:
 - (1) make recommendations to the Board on the appointment, reappointment or removal of the external auditors that conducts regular statutory audits for the Bank's financial reports, reviewing the fees and terms of engagement of the external auditors, and handling any matters relating to the resignation or dismissal of the external auditors;
 - (2) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the audit committee should discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;
 - (3) develop and implement policy on external auditors to provide non-audit services;
 - (4) review the audit results letter presented by external auditors to the management, as well as any material queries raised by the auditors to the management about accounting records, financial accounts or monitoring systems, and the management's response;
 - (5) ensure that the Board will timely respond to the matters raised in the audit results letter presented by external auditors to the management; and
 - (6) act as the key representative body for overseeing the Bank's relations with the external auditors and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.
3. being responsible for the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;
4. review and approve the Bank's internal audit system and supervise its implementation, review, evaluate and report to the Board on the internal audit on a regular basis, and ensure that the internal audit department has sufficient resources for operation and proper status;
5. examine the Bank's financial reporting system, risk management system and internal control system and their implementation;
6. responsible for urging the senior management to develop and implement anti-money laundering policies, systems and procedures, supervise the work of the anti-money laundering, listen to senior management reports on major anti-money laundering matters and make decisions on the policy adjustments in a timely manner; and
7. other duties required by the laws and regulations, rules and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the Audit committee Convened 2 meetings, at which 14 proposals were considered, mainly including 2022 Annual Financial Report, 2022 Profit Distribution Plan, the engagement of accounting firm for 2023, 2023 Announcement of Interim Results and Interim Report, etc. In addition, the Audit Committee held 2 meetings with the auditors and 2 meetings with the auditors in the absence of the management in accordance with the provisions of the Code of Corporate Governance.

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

As at the Latest Practicable Date, the Board of Supervisors comprised 9 Supervisors, including 3 Shareholder Representative Supervisors, namely, Mr. LIU Yan, Mr. YUEN Wing Shing and Mr. LI Jinsong; three External Supervisors, namely, Mr. XING Tiancai, Ms. MI Juan, Mr. LI Yanxi, and three Employee Representative Supervisors, namely, Mr. YU Xiaolong, Mr. NIU Jiao and Mr. CHEN Shijun.

Chairman of the Board of Supervisors

Mr. LIU Yan serves as the chairman of the Board of Supervisors of the Bank, responsible for organizing and fulfilling the responsibilities of the Board of Supervisors.

Meetings of the Board of Supervisors

In 2023, the Board of Supervisors held a total of 6 meetings, at which 45 proposals were considered, approved and heard on matters including 2022 Work Report of the Board of Supervisors, 2022 Supervision and Evaluation Report, 2022 Annual Report, 2022 Comprehensive and Special Risk Management Report, 2022 Report on Evaluation of Internal Control Compliance, 2022 Final Financial Accounts and 2023 Financial Budget Report, 2022 Profit Distribution Plan and the Performance Appraisal on the Directors, Supervisors and Senior Management of the Bank.

During the Reporting Period, the External Supervisors performed their supervisory duties in accordance with the laws, regulations, the Articles of Association of the Bank and the Rules of Procedures of the Board of Supervisors, and actively participated in the special supervision and research activities of the Board of Supervisors. They duly performed their supervisory duties, exercised their supervisory power according to the laws and effectively exerted their supervision and counter-balance functions in corporate governance.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

Attendance records of the Supervisors at the meetings of the Board of Supervisors and the committees under the Board of Supervisors during the Reporting Period are set out below:

Members of the Board of Supervisors	Attendance in person/by proxy/required attendance (times)		
	Board of Supervisors	Supervision Committee	Nomination Committee
Shareholder Representative Supervisors			
LIU Yan	4/0/4	1/0/1	0/0/0
YANG Xiu	6/0/6	2/0/2	
YUEN Wing Shing	6/0/6		2/0/2
External Supervisors			
BA Junyu	6/0/6	2/0/2	
SUN Hang	6/0/6		2/0/2
CHENG Hua	6/0/6	2/0/2	
Employee Representative Supervisors			
YU Xiaolong	6/0/6		2/0/2
NIU Jiao	6/0/6	2/0/2	
CHEN Shijun	6/0/6		2/0/2
Former Supervisor			
HAN Li	1/0/1	1/0/1	1/0/1

Note: Attendance in person includes participation by way of on-site attendance as well as electronic means such as telephone and online video conference.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Committees under the Board of Supervisors

The Bank has established a supervision committee and a nomination committee under the Board of Supervisors. The committees operate in accordance with terms of reference established by the Board of Supervisors.

(I) Supervision Committee

As at the Latest Practicable Date, the Bank's Supervision Committee under the Board of Supervisors consisted of 5 Supervisors, including Ms. MI Juan as the chairlady, and Mr. LIU Yan, Mr. LI Jinsong, Mr. LI Yanxi, and Mr. CHEN Shijun as members.

The primary duties of the supervision committee include:

1. draft specific plans on supervising and examining the Bank's financial activities, operating decisions, internal control and risk management with the authorisation of the Board of Supervisors and based on the needs, put forward them to the Board of Supervisors for consideration and implement such plans upon approval;
2. review and provide advice to the Board of Supervisors on the Bank's annual financial report, annual audit report, profit allocation plan formulated by the Board;
3. when becoming aware of any unusual operating condition of the Bank, or upon the occurrence of significant contingencies or major risk events, formulate investigation plans according to the decision of the Board of Supervisors, and if necessary, organising relevant staff or engaging intermediaries, such as accounting firms and law firms, for assistance.

During the Reporting Period, the Supervision Committee held 2 meetings, at which 23 proposals were considered and 7 proposals were heard on the matters mainly including 2022 Supervision and Evaluation Report, 2022 Comprehensive and Special Risk Management Report, 2022 Report on Evaluation of Internal Control Compliance, 2022 Work Report on Internal Audit, 2022 Work Report of Consumer Rights Protection, Special Evaluation Report on Corporate Governance, etc.



CORPORATE GOVERNANCE REPORT (CONTINUED)

(II) Nomination Committee

As at the Latest Practicable Date, the Bank's Nomination Committee under the Board of Supervisors consisted of 5 Supervisors, including Mr. XING Tiancai as the chairman, and Mr. LIU Yan, Mr. YUEN Wing Shing, Mr. YU Xiaolong and Mr. NIU Jiao as members.

The primary duties of the supervision committee include:

1. provide advice to the Board of Supervisors on the composition and members of the Board of Supervisors based on the Bank's operational and management status, total asset value and shareholding structure;
2. research on the procedures and criteria for selecting Supervisors, conduct preliminary review on the qualifications of Supervisor candidates, and provide advice to the Board of Supervisors;
3. seek qualified supervisor candidates;
4. supervise the procedures for selection and appointment of Directors;
5. conduct comprehensive evaluation on the work performance of Directors, Supervisors and senior management and report to the Board of Supervisors; and
6. supervise the rationality and reasonableness of the remuneration management system and policies of the Bank and the remuneration packages for the senior management.

During the Reporting Period, the Nomination Committee held 2 meetings, at which 3 proposals were considered and 1 proposal was heard on the matters, mainly including the 2022 Work Report of the Nomination Committee of the Board of Supervisors, the 2022 Report of the Board of Supervisors on the Performance Evaluation of Directors, Supervisors and Senior Management, the Proposal on the Supplementary appointment of Shareholder Supervisor.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SENIOR MANAGEMENT

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the senior management and the Board is in strict accordance with the Articles of Association and other corporate governance documents of the Bank.

The President has the right to organise and conduct business and management activities in accordance with the laws, regulations, rules, the Articles of Association and under the authorisation of the Board. The President has the following functions and powers:

1. take charge of the business operation and management of the Bank, organise the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
2. submit business plans and investment proposals to the Board of Directors on behalf of the senior management, and organise the implementation of Board resolutions, annual plans of the Bank and investment proposals upon approval by the Board of Directors;
3. draft proposals on the establishment of the Bank's internal management departments;
4. set up the Bank's basic management system;
5. formulate the Bank's specific rules and regulations;
6. decide to engage or dismiss management other than those to be engaged or dismissed by the Board of Directors;
7. authorise persons in charge of internal departments and branches to conduct operational activities;
8. formulate proposals on wages, benefits, rewards and punishment of the Bank's staff, and decide on their appointment and dismissal;
9. adopt emergency measures when any major emergency, such as bank run, arises and promptly report them to the banking and insurance regulatory authority of the State Council, the Board of Directors and the Board of Supervisors; and
10. other powers and rights conferred by the Articles of Association and by the Board of Directors.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Total before tax remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2023 is set out below:

Remuneration bands	Number of individuals
Nil to RMB2,000,000	7
RMB2,000,001 to RMB3,000,000	3
RMB3,000,001 to RMB4,000,000	0

DELEGATION OF POWER BY THE BOARD

The management exercises its powers in accordance with its responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure items must be approved by the Board through the annual budget proposal before execution. Any items that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the management with the authorisation by the Board.

Such authorized matters also include loans and guarantees, related party transactions, asset mortgage financing and guarantees, inter-bank fund business, purchase of fixed assets, disposal of assets, disposal of non-performing assets and mortgaged assets, write-off of assets, donations to external bodies, and the establishment, withdrawal and relocation of non-independent accounting branches, provided that the amount does not exceed a certain limit. For details, please refer to the section headed "Corporate Governance Report – The Board and Special Committees".

CORPORATE GOVERNANCE REPORT (CONTINUED)

CHAIRMAN AND PRESIDENT

The Bank agrees to the principles as set out in the Code of Corporate Governance (Appendix C1 to the Hong Kong Listing Rules). From 1 January 2022 to the Latest Practical Date, the Bank has been in full compliance with the Code 2.1 of the Code of Corporate Governance, except for the following:

According to the code C.2.1 of the Code of Corporate Governance (Appendix C1 to the Hong Kong Listing Rules), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. From 17 February 2023 to 11 April 2023, Mr. Shen Guoyong concurrently served as the president of the Bank and performed the duties of chairman of the Board, prior to the appointment of the new chairman of the Board and the approval of qualification of such positions by the NFRA Liaoning Bureau. Please refer to the section headed “Directors, Supervisors, Senior Management and Employees - Changes in Directors, Supervisors and Senior Management” for the changes of the Chairman and President of the Bank.

The Chairman of the Board is responsible for overall strategic planning and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. The President is responsible for business development and overall operation and management of the Bank. The President is appointed by and accountable to the Board, and must perform his duties in accordance with the Articles of Association and authorisation of the Board. The management is responsible for the day-to-day operation and management. The roles of the Chairman and the President are separated with a clear division of responsibilities.

During the Reporting Period, the Chairman held two meetings with the independent non-executive Directors in the absence of other Directors.



CORPORATE GOVERNANCE REPORT (CONTINUED)

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix C3 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report”.

According to the Administrative Measures on the Selection and Appointment of Accounting Firms by State-owned Financial Enterprises (Caijin [2020] No.6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020]6號)) issued by the Ministry of Finance of the PRC, financial enterprises shall employ the same accounting firm for no more than 8 consecutive years. At the 2022 Annual General Meeting of the Bank held 2 June 2023, shareholders approved the appointment of Crowe (HK) CPA Limited (“Crowe”) as the international and domestic auditors of the Bank for 2023.

The fees payable by the Bank to Crowe as agreed for the annual financial statements audit and semi-annual financial statements review for the year ended 31 December 2023 are RMB3.9 million and RMB2.6 million, respectively.

The Bank has agreed to pay Crowe a fee for non-audit services in respect of asset disposal forensic services provided as of 31 December 2023 totalling RMB2.9 million.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROL

Risk Management and Internal Control

(I) *Management System*

The Board is responsible for the establishment and implementation of a sound risk management and internal control system as well as regularly conducting comprehensive assessment. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board and senior management. The senior management is responsible for the day-to-day operation of risk management and internal control across the Bank. Meanwhile, the Board has established the Audit Committee, the Risk Control and Consumers' Rights Protection Committee and the Related Party Transactions Control Committee to fulfill the corresponding responsibilities of risk management and internal control and evaluate the effectiveness of such risk management and internal control.

The Board attaches great importance to the construction of risk management and internal control, and has established a risk management system featuring "uniform leadership, vertical management and hierarchical accountability" to identify, assess and manage the major risks related to the Bank. In particular, the Bank complies with the requirements on the establishment of risk management and internal control under the Commercial Banks Law of the PRC (《中華人民共和國商業銀行法》), the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), and the guidelines issued by the Basel Committee on Banking Supervision. Accordingly, the Bank developed a risk management and internal control system which covers such five aspects as internal environment, risk identification and assessment, internal control activities, information and communication, and internal supervision and is in line with the Bank's development strategies, operating scale, scope of business and risk appetite. The Board, the Board of Supervisors and senior management constantly pay attention to the effectiveness of risk management and internal control, actively promote relevant rectification and reforms and optimise its system rules, procedures and information technology system, thereby encouraging its functional departments and all branches and sub-branches to strengthen risk control in order to improve business quality.

(II) *Annual Assessment*

During the Reporting Period, in accordance with the "Commercial Banks Law of the PRC", the "Banking Supervision Law of the PRC", the "Guidelines on the Internal Control of Commercial Banks", the "Guidelines for the Comprehensive Risk Management of Banking Financial Institutions" and other laws, regulations and regulatory requirements, the Bank carried out comprehensive evaluations according to the "Comprehensive Risk Management Policy of Shengjing Bank (2022)" and "Risk Reporting System of Shengjing Bank" and other rules and regulations by means of business line inspection, risk management department assessment and interview, combining with the internal audit and external inspection during the Reporting Period. The evaluations cover all critical monitoring of the Bank, including financial monitoring, operational monitoring and compliance monitoring, as well as risk management functions. During the Reporting Period, the Board has conducted an annual review of the effectiveness of the Bank's internal control and risk management. The Board reviewed the risk management report four times and the internal control report once. The Board considers the Bank's risk management and internal control systems effective and adequate. Meanwhile, the Board believes that the resources, qualifications and experience of staff of the Bank's accounting, internal audit and financial reporting functions as well as providing them adequate trainings and financial budgets. There was no significant matter of concern during the Reporting Period.



CORPORATE GOVERNANCE REPORT (CONTINUED)

(III) Management of Inside Information

The Bank attaches great importance to its information disclosure, is in strict compliance with all regulations in the listing venues, adheres to the principles of timeliness, fairness, accuracy, truthfulness and completeness as to its information disclosure. The Bank has established procedures for information disclosure to designate the department responsible for managing inside information to satisfy the requirements of SFO and other applicable laws on information disclosure. The Bank also constantly improves its efforts in information disclosure and investor relations management, and carries out information disclosures in accordance with applicable laws.

For further details of risk management and internal control of the Bank, please refer to the sections headed “Management Discussion and Analysis – Risk Management” and “Internal Control” in this report.

COMPANY SECRETARY

Mr. Zhou Zhi is one of the joint company secretaries of the Company, while Ms. Kwong Yin Ping Yvonne, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, is the joint company secretary fulfilling the relevant qualification requirements of the Hong Kong Listing Rules. The company secretary is mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication among the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Bank. Each Director can discuss with, seek advice from and obtain data from the company secretary. The main contact in the Bank for Ms. Kwong Yin Ping Yvonne is Mr. Zhou Zhi.

Each of Mr. Zhou Zhi and Ms. Kwong Yin Ping Yvonne has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for no less than 15 hours during the Reporting Period.

INFORMATION DISCLOSURE

During the Reporting Period, the Bank was in strict compliance with the requirements of carrying out true, accurate, complete and timely information disclosure under relevant laws and regulations. The Bank simultaneously published 46 announcements on HKEx News and the Bank’s website to enhance the transparency of the company’s governance.

Effective Communication with Shareholders

The Bank attaches great importance to communication with shareholders, and strives to improve mutual understanding and communication with shareholders and investors through various channels including general meeting, promotion roadshows, visitor reception and telephone enquiries. The Bank ensures effective, equitable and timely communication of information to shareholders at all times and regularly reviews the effectiveness of its communication channels. The Bank has considered the participation and communication activities of shareholders and investors held in 2023, which meet the requirements for full and effective implementation of the shareholder communication policy.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Articles of Association

Reference are made to announcement of the Bank dated 24 March 2023; (ii) the circular of the Bank dated 19 April 2023 in relation to, among others, the proposed amendments to the Articles of Association; (iii) the poll results announcement of the 2022 Annual General Meeting of the Bank dated 2 June 2023 in relation to, among other things, the Shareholders' approval of the resolution in relation to the amendments to the Articles of Association; (iv) the announcement of the Bank dated 25 August 2023; (v) the circular of the Bank dated 11 October 2023 in relation to the proposed amendments to the Articles of Association; and (vi) the poll results announcement of the 2023 First Extraordinary General Meeting of the Bank dated 31 October 2023, in relation to, among other things, the Shareholders' approval of the resolution in relation to the amendments to the Articles of Association. The aforesaid amendments to the Articles of Association is still subject to approval by the NFRA Liaoning Bureau, with effective from the date of such approval.

SHAREHOLDERS' RIGHTS

Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects shareholders' rights in strict compliance with regulatory regulations and its corporate governance system.

Shareholders individually or in aggregate holding 10% or more of the Bank's voting shares have the right to request in writing the Board of Directors to convene an extraordinary Shareholders' general meeting or a class shareholder meeting. The Board of Directors shall grant feedback in writing of whether to convene the extraordinary shareholders' general meeting or class shareholder meeting within 10 days from the receipt date of such request in accordance with the laws, administrative regulations and the Articles of Association. The shareholding of the above shareholders is based on their shareholdings on the date such request is proposed in writing.

The Board of Directors shall give notice of a shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution of the Board upon agreeing to convene an extraordinary shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Directors decides against the convening of an extraordinary Shareholders' general meeting or a class shareholder meeting, or the Board of Directors fails to grant feedback within 10 days from receiving the proposal, shareholders individually or in aggregate holding 10% or more of the Bank's voting shares are entitled to propose for convening an extraordinary Shareholders' general meeting or a class shareholder meeting to the Board of Supervisors in writing.

The Board of Supervisors shall give notice of a Shareholders' General Meeting or a class shareholder meeting within five days from receipt of the request upon agreeing to convene an extraordinary Shareholders' General Meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Supervisors fails to issue notice of the Shareholders' general meeting or class shareholder meeting within the stipulated period, the Board of Supervisors will be deemed not to convene or preside over the Shareholders' General Meeting or class shareholder meeting and such a meeting may be convened and presided over by shareholders individually or in aggregate holding 10% or more of the Bank's voting shares for at least ninety consecutive days.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Proposals at General Meetings

The Board and the Board of Supervisors as well as Shareholders individually or collectively holding 3% or more voting shares of the Bank have the right to put forward proposals at a general meeting of the Bank. Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details of the general methods and procedures for nominating Directors and Supervisors.

PROFIT AND DIVIDEND DISTRIBUTION POLICY

According to the Articles of Association, the profit and dividend distribution policy of the Bank are as follow:

- (I) According to Article 280 of the Articles of Association, the Bank shall set aside 10% of the profits from the after-tax profits for the year to its statutory reserve fund. The Bank needs not allocate further amounts if the accumulated amount of the statutory reserve fund is over 50% of its registered capital. If the statutory reserve fund is not sufficient to cover the losses incurred in the previous year, the profits of the current year shall be used to cover such losses before any allocation to the statutory reserve fund is made in accordance with the provisions of the previous paragraph. After the Bank has set aside statutory reserve fund from the after-tax profits, the Bank, subject to the approval of the Shareholders' general meeting, may make allocation to the discretionary reserve fund from the aftertax profits after setting aside general reserves in accordance with the relevant provisions. The balance of the aftertax profits of the Bank after making up losses and setting aside statutory reserve fund may be distributed to the Shareholders in pro rata to their shareholding unless it is otherwise stipulated in the Articles of Association that the profits shall not be distributed in pro rata to the shareholding of the Shareholders. Where the Shareholders' general meeting distributes profits to Shareholders in violation of the foregoing provisions before the Bank's making up losses and setting aside statutory reserve funds, the Shareholders concerned must return to the Bank the profits distributed in violation of the provisions. Shares of the Bank held by the Bank shall not participate in the distribution of profits.
- (II) According to Article 286 of the Articles of Association, the profit distribution policy of the Bank shall emphasize the reasonable investment return to the investors and be in the interest of the Bank's long-term development. The Bank may distribute profits via bonus issue, payment of cash dividend and so on.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Bank considers its employees as its core assets. The Bank has established a performance-based compensation system to encourage a fair and friendly working environment. The Bank has also developed and implemented proper strategies and plans to support the career path and professional advancement of its employees.

Paying close attention to the customers' demands, the Bank has continuously diversified its products and services as well as expanded its sales channels, with a view to optimising the customer experience and expanding its client base. The Bank will continue its endeavors to provide its customers with quality products and services.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INVESTOR RELATIONS

Shareholders and investors may send enquiries to the Board as follows:

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel: +86 (24)2253 5633
Fax: +86 (24)2253 5930
E-mail: ir@shengjingbank.com.cn

Principal place of business in Hong Kong of Shengjing Bank Co., Ltd.:
40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

SHAREHOLDERS' ENQUIRIES

Any enquiries related to your shareholding of H Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following address:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852)2862 8555
Fax: (852)2865 0990

Any enquiries related to your shareholding of Domestic Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following address:

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel: +86 (24)2253 5633
Fax: +86 (24)2253 5930

ADDITIONAL INFORMATION

The Bank currently holds a Financial License institution number: B0264H221010001 issued by the NFRA Liaoning Bureau, and a Business License unified social credit code: 91210100117809938P issued by the Shenyang Provincial Administration of Industry and Commerce. The Bank is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry out banking and/or deposit-taking business in Hong Kong.



REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present the Report of the Board of Directors together with the audited financial statements of the Bank for the year ended 31 December 2023.

PRINCIPAL BUSINESS

The Bank engages in banking businesses and the related financial services.

BUSINESS REVIEW

A review of the Bank's business during the Reporting Period is set out in the section headed "Management Discussion and Analysis". The key financial performance indicators are set out in the section headed "Financial Highlights". Compliance with relevant laws and regulations which have a significant impact on the Bank can be found throughout this report, in particular, in the section headed "Corporate Governance Report". Analysis on the relationship with key stakeholders can also be found in the section headed "Corporate Governance Report".

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Bank are set out in "Management Discussion and Analysis – Risk Management".

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

There are no important events affecting the Bank that have occurred since the end of the Reporting Period.

FUTURE DEVELOPMENT IN THE BANK'S BUSINESS

Please refer to the "Management Discussion and Analysis – Future Outlook and Development Strategy".

PROFITS AND DIVIDEND

The profit distribution policy of the Bank attaches importance to reasonable investment returns to investors and adheres to the principles that are conducive to the long-term development of the Bank. The profit distribution of the Bank may be made by way of bonus shares, cash dividends, etc. The Board of Directors is responsible for formulating profit distribution plan. A profit distribution plan should be determined by two-thirds or more of our Directors and approved at a general meeting by way of ordinary resolution. The independent Directors should express their opinions on the profit distribution plan to the Board of Directors. The Board of Supervisors should review the profit distribution plan and express its opinions on the compliance and appropriateness of such proposals. The Bank will determine whether to distribute any dividends, and in what amount, based on factors, including the Bank's results of operations, capital adequacy ratios, cash flow, financial condition, status of business operations and future prospects, the Bank's Shareholders' interests, statutory and regulatory restrictions on the Bank's dividend distribution.

The Bank's revenue for the year ended 31 December 2023 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements".

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Pursuant to the resolutions passed at the 2022 Annual General Meeting of the Bank held on 2 June 2023, it was resolved that no final dividend for 2022 would be distributed to all Shareholders.

As approved at the meeting of the Board of the Bank held on 28 March 2024, it is proposed that no final dividend for 2023 be declared to all Shareholders. Such resolution for no distribution of dividend will be considered at the 2023 Annual General Meeting.

The independent non-executive Directors of the Company also expressed independent opinions on such profit distribution plan. The Bank has not made any cash dividend distribution in the last three years.

CHANGES IN THE RESERVES

Details of the changes in the reserves of the Bank and of the reserves available for distribution for the year ended 31 December 2023 are set out in the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Bank for the year ended 31 December 2023 are set out in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets and liabilities of the Bank for the five years ended 31 December 2023 is set out in the “Financial Highlights”.

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2023 are set out in Note 22 to the financial statements.



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

RETIREMENT BENEFITS

Details of the retirement benefits provided by the Bank to employees are set out in Note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

Details of the Bank's substantial shareholders as at 31 December 2023 are set out in the "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" and the relevant parts of the notes to the financial statements, respectively.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank did not purchase, sell or redeem any listed securities of the Bank.

PRE-EMPTIVE RIGHTS

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders of the Bank. These Articles of Association provide that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, or otherwise as permitted by the laws and administrative regulations.

MAJOR CUSTOMERS

The Bank is not dependent too much on a single major depositor/borrower. As at the end of the Reporting Period, the operating income generated from the five largest depositors/borrowers of the Bank represented an amount not exceeding 30% of the total operating income of the Bank. The Directors of the Bank and its connected persons did not have any significant interest in the aforementioned five largest depositors/borrowers.

SHARE CAPITAL

Details of the change in the share capital of the Bank during the year are set out in Note 33 to the financial statements.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Details of the Directors, Supervisors, senior management and employees are stated in the section headed "Directors, Supervisors, Senior Management and Employees".

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence, and considered that all the existing independent non-executive Directors are independent pursuant to the guidelines set out in Rule 3.13 of the Listing Rules.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, to the knowledge of the Directors after making reasonable enquiries, the interests of the Directors, the chief executive and the Supervisors in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules were set out as follows:

Domestic shares

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares held (Share)	Percentage of the Domestic Shares of the Bank (%)	Percentage of the Total Share Capital of the Bank (%)
SHI Yang (石陽)	Executive Director	Beneficial owner	107,684	0.0017	0.0012
		Interest of spouse	5,722	0.0001	0.0001

Save as disclosed above, none of the Directors, the chief executive, or the Supervisors held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 31 December 2023.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There is no relationship between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.

ARRANGEMENTS FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as at 31 December 2023 and at any time during the year, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any material transaction, arrangement or contract (excluding service contracts) in relation to the Bank's business to which the Bank, or its associated companies, is a party. None of the Directors nor Supervisors has entered into any service contract with the Bank that is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

MANAGEMENT CONTRACT

Save for the service contracts entered into with the management of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or Supervisors have any interest in businesses that compete with the business of the Bank.

CORPORATE GOVERNANCE

We are committed to maintaining high standards in corporate governance. Our approach to applying the principles and provisions of the corporate governance code are set out in the "Corporate Governance Report". In addition, for the Bank's environmental policies, please refer to the Bank's 2023 Environment, Social and Governance Report published by the Bank. For details, please visit the Bank's website at www.shengjingbank.com.cn.

RELATED PARTY TRANSACTIONS

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, the certain connected transactions of the Bank during the Reporting Period can be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in Note 37 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them constitute any discloseable connected transaction as defined under the Listing Rules.

REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Under the guidance of the relevant policies of the PRC, the Bank continues to improve its remuneration management measures and performance evaluation system for Directors, Supervisors and senior management.

The remuneration system for the Directors, Supervisors and senior management adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The remuneration structure implemented by the Bank consists of basic remuneration, performance bonus and other benefits. The Bank makes contributions to various statutory pension plans organised by governments at all levels for its Directors, Supervisors and senior management.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Directors, as at the Latest Practicable Date, the Bank has complied with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited regarding the public float.

AUDITORS AND REVIEW OF ANNUAL RESULTS

Crowe (HK) CPA Limited was appointed as the international and domestic auditor of the Bank for 2023.

Crowe has audited the Bank's financial report for 2023 prepared according to the International Financial Reporting Standards and issued an auditor's report with no qualified opinions. The audit committee of the Board of Directors of the Bank has reviewed the results and financial reports for the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

The Bank has arranged for appropriate insurance coverage for directors' and officers' liabilities in respect of potential legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the report of the Board of Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance.



REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank, in accordance with the Company Law of the People's Republic of China, Corporate Governance Standards for Banking or Insurance Institutions, the Guidelines on the Duties of the Supervisory Board of Commercial Banks and other laws and regulations and the Articles of Association of the Bank, with the goal of promoting high-quality development, solidly carried out various key tasks such as performance evaluation, special supervision and grass-roots research, created a closed-loop supervision mechanism, and effectively played the supervisory and promotion role of the Board of Supervisors in corporate governance, business development and reform dissolving risk.

I. REPORT ON MAJOR WORK

Strengthen the foundation of corporate governance and standardize the operation of the Board of Supervisors. In 2023, the Bank convened 6 meetings of the Board of Supervisors and 4 meetings of special committees of the Board of Supervisors, listened to and considered 79 resolutions, including important topics such as the work report of the Board of Supervisors, the evaluation reports on the performance of Directors, Supervisors and senior managers, special supervision report of the Board of Supervisors, annual and interim reports, amendments to the Rules of Procedure for Board of Supervisors Meeting. The Supervisors were able to put forward objective and independent supervisory opinions and suggestions through deliberation of proposals and hearing of reports, and effectively performed the function of deliberation and supervision at meetings. In accordance with the decisions and arrangements of the municipal Party committee and municipal government, the election of the new chairman of the Board of Supervisors and the preparation for the re-election of the Board of Supervisors were completed in a standardized manner to ensure the smooth and orderly operation of the Board of Supervisors.

Deepen the performance of supervision, enhance the effectiveness of performance evaluation. The Board of Supervisors formulated the annual work plan for performance evaluation, scientifically set evaluation indicators, differentially design evaluation content, and reasonably increase the proportion of quantitative evaluation indicators, enhancing the scientific and effective nature of the performance assessment work. The Board of Supervisors established a performance evaluation and assessment team, convened on-site evaluation meetings for senior management, standardized the completion of self-assessment, peer assessment, and evaluation of the Board of Supervisors, issued the performance evaluation reports for Directors, Supervisors and senior management on time, reported to the general meeting and regulatory authorities in a timely manner, and reported to the Board of Directors, the Board of Supervisors and senior management.

Strengthen supervision in key areas to support stable development. Firstly, the Board of Supervisors conducted a special supervision on consumer rights and interests protection work, summarized and sorted out the overall situation of consumer rights and interests protection work, and provided opinions and suggestions for issues such as incomplete management system structure, declining consumer protection ratings, and a high number of consumer complaints. Secondly, the Board of Supervisors carried out supervision on the implementation of rectification of regulatory opinions, compiled and collated the regulatory opinions put forward by the NFRA and its local offices to the Bank since 2022, conducted statistical analysis on the number of regulatory opinions and the rectification rate according to the receiving agency, source of problems, type of problems and other dimensions, and put forward existing problems and supervision opinions. Thirdly, the Board of Supervisors carried out post-evaluation of development strategies, evaluated the scientificity, rationality and stability of development strategies, and put forward work suggestions such as enriching the strategic indicator system, accelerating strategic transformation, strengthening the implementation of strategic organizations, and improving the strategic monitoring and evaluation mechanism. Fourthly, the Board of Supervisors regularly carried out supervision on business activities, deeply understood the financial indicators and business development of the Bank, issued special supervision reports on a quarterly basis, and put forward supervision opinions and suggestions.

REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

Conduct in-depth research to address practical issues. Consecutive research were conducted on 14 departments, including Financing Plan Department, Human Resources Department and Risk Management Department, at the head office, as well as 10 branches in Shenyang, Dalian, Chaoyang, Fuxin, among others, with the aim of gaining in-depth insights into the operation and management of the Bank. Addressing more than 20 issues or concerns related to product services, business expansion, credit granting, asset disposal, performance evaluation, team building, and file management, and other aspects, feedback was promptly provided to the management. Solutions and completion timelines were proposed, and the implementation status was reported to the branches, to better promote the operation and development of the Bank.

Continuously deepen self-construction to enhance the quality and effectiveness of supervision work. Firstly, formulated the annual work plan for supervision of the Board of Supervisors, clarifying the organizational structure, system, key points of supervision and inspection as well as the departments, scope and time limit for reporting data as required, and established a corresponding coordination mechanism for special committees of the Board of Supervisors, promoting the supervision and inspection work to be carried out with effective means, feedback and implementation. Secondly, the Board of Supervisors compiled the Work Manual for Supervisors to further clarify the rights, obligations and responsibilities of Supervisors, fully reflect the practicality and guiding significance, provide methods and guidelines for Supervisors to perform their duties, and improve the ability of Supervisors to perform their duties.

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

1. Operations in Compliance with Laws and Regulations

During the Reporting Period, the Board of Directors and senior management of the Bank operated in a standardized manner in accordance with the provisions of the “Company Law of the People’s Republic of China”, “Corporate Governance Standards for Banking or Insurance Institutions”, the Articles of Association of the Bank and regulatory requirements. The corporate governance structure was continuously optimized, and the management measures were reasonable and effective to maintain a steady operation and development.

2. Truthfulness of Financial Report of the Bank

During the Reporting Period, the Bank prepared the 2022 Financial Report according to the International Accounting Standards and relevant provisions of the Listing Rules of the Hong Kong Stock Exchange, which was audited by Crowe (HK) CPA Limited and a standard unqualified audit report was issued. The audit report gave a true, accurate and complete view of the financial position and operating results of the Bank.

3. Related-party Transactions

During the Reporting Period, the Bank further standardized the management of related party transactions, related-party transactions were fairly and reasonably priced and were not detrimental to the interests of the Shareholders or the benefits of the Bank.

4. Acquisition and Disposal of Assets by the Bank

During the Reporting Period, no insider trading nor activities that may damage the shareholders’ rights and interests or cause a loss of assets has been identified in respect of any material acquisition or disposal of assets.



REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

5. Internal Control

During the Reporting Period, the Bank continuously improved the construction of internal control system and strengthened the internal control risk management. The Bank was not aware of any material defect in the design or implementation of the Bank's internal control system.

6. Implementation of the Resolutions of Shareholders' General Meetings

During the Reporting Period, the Board of Supervisors organized supervisors to attend the General Meeting. There were no objection to any resolution or report submitted by the Board of Directors to the shareholders' general meetings in 2023. The Board of Supervisors believed that the Board of Directors and the senior management could duly implemented the relevant resolutions of the shareholders' general meetings.



SOCIAL RESPONSIBILITY REPORT

Based on the market positioning of “serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents”, the Bank focused on the three-year action of serving to ensure the comprehensive revitalization of provinces and cities for a new breakthrough, integrated the political and people-oriented nature of financial work into the specific practice of resolutely implementing national strategies and serving local development, focused on forging the Party building brand of the red bank, continued to promote reform and transformation, and contributed financial strength to regional economic and social development.

ACTIVELY ASSIST IN REGIONAL ECONOMIC CONSTRUCTION

The Bank served the major strategy of regional economic construction, proactively connected with major regional projects, and focused on the construction of Shenyang as a national central city and “one hub, four centers”. The Bank took effective measures in areas such as increased credit allocation, innovated service models, served foreign trade and investment, and promoted market recovery, and continued to increase the credit allocation for industries such as advanced manufacturing, technological innovation, rural revitalization, and livelihood security.

The Bank promoted the construction of a green financial system, expanded the scope of green credit, released the innovative green financial product of “Liaoning Carbon Loan (遼碳貸)”, issued the first carbon emission rights pledge registration loan in the national carbon market in Liaoning Province, implemented the first local corporate bank carbon emission reduction support tool refinancing business in the province, and supported the construction of a pilot city of “carbon peaking” in Shenyang.

IMPLEMENT INCLUSIVE FINANCIAL POLICIES TO SUPPORT RURAL REVITALIZATION

The Bank actively integrated into the new pattern of inclusive development, implemented and refined the “two penetration (兩沉)” transformation of inclusive small and micro enterprises, focused on “financing” with characteristic products as the starting point, continued to extend on the “chain”, followed the policy requirements of Liaoning Province, and continuously expanded the “Liao series” products to support private enterprises, scientific and technological innovation and small and micro enterprises, so as to achieve steady development of inclusive business.

Committed to rural revitalization, the Bank developed various online and offline products, and collaborated closely with provincial agricultural departments, chambers of commerce, and agricultural trading centers to support the development of distinctive agricultural and livestock industry clusters across the province.



SOCIAL RESPONSIBILITY REPORT (CONTINUED)

COMPREHENSIVELY STRENGTHEN CONSUMER RIGHTS AND INTERESTS PROTECTION

The Bank innovated the education model of publicity and education, carried out distinctive education through “characterization, normalization, and scenarization,” achieved full coverage of over 1,300 communities in Shenyang, and continuously launched online education programs such as “Consumer Protection Mini Classroom (《消保小課堂》)” and “Journey to the West: Consumer Protection (《消保西遊記》)”. Throughout the year, more than 4,000 consumer protection publicity activities were conducted, reaching approximately 6 million consumers.

The Bank enriched the capacity of scenario-based ecological service construction, promoted the transformation and upgrading of outlets with “five transformations and two penetration (五化兩沉)”, created financial service brands such as “Shengqing Cloud Collection (盛情雲集)”, “Shengyin Caring School (盛銀愛心學堂)” and “Shengqing Station (盛情驛站)”, upgraded and iterated digital service channels, focused on meeting diversified financial service needs, and continuously improved the applicability and convenience of financial services.

PAYING TAXES PROACTIVELY TO SUPPORT PUBLIC WELFARE

During the Reporting Period, the Bank made various tax payment of RMB3.831 billion, of which RMB3.123 billion was paid in Shenyang area, ranking top among tax contribution.

The Bank attached great importance to public welfare and philanthropy, thoroughly implemented the poverty alleviation policies of the Municipal Party Committee and Municipal government, and carried out assistance and sympathy activities to designated poverty alleviation units in Zhoutuozi Town, Xinmin City.

INTERNAL CONTROL

Internal control refers to the dynamic process and mechanism in which the Board of Directors, the Board of Supervisors, the senior management and all employees of the Bank participate in the development and implementation of systematic systems, processes and methods to achieve control objectives.

The Bank firmly established the internal control concept of institutionalization of management, proceduralization of systems, and informationization of processes, embedding risk management and compliance requirements into various business processes, so as to form a comprehensive, all-employee and whole-process risk prevention and control mechanism, established and improved a strict, standardized, comprehensive and effective internal control system, ensuring that all business activities are conducted in compliance with laws and regulations, so as to achieve the control goal of “strengthening internal control, preventing risks and promoting compliance”. Firstly, the Bank strengthened the process management of internal control, focused on governance structure, internal supervision, credit management, operation management and other aspects, combined with external regulatory policies and internal rules and regulations, comprehensively sorted out and clarified various business management processes, clarified risk points and control measures, and formed the Internal Control Manual as a standardized workflow specification and the basis of internal control management. Secondly, the Bank strictly implemented the requirements of the government and regulatory authorities, continued to carry out system “physical examination”, formulated system development planning objectives in accordance with large corporate, large retail, risk approval, comprehensive management and other lines, established daily reminder, monthly supervision and quarterly notification mechanisms, strengthened the process management of system construction, and promoted the realization of the goal of “systematic management”. Thirdly, the Bank comprehensively evaluated the implementation of authorization, organized the inspection of the implementation of authorization and the re-inspection of authorization, and formulated authorization optimization plans in five aspects such as inclusive finance, retail credit and financial management by investigating and filling the weak links in the implementation, so as to implement differentiated and refined management requirements. Fourthly, the Bank achieved dynamic monitoring of the abnormal behaviour detection system, and fully utilized the visual tools provided by the detection system connection of various behaviours of employees, obtained multi-dimensional, whole-process and continuous insight into employees, and identified high-risk employees through employee portraits and other means to achieve accurate management. Combining monitoring results with strengthened education on employees’ ideological and political awareness, professional ethics, and corporate culture, the Bank actively guided employees to establish correct views on life, the world, and values, effectively preventing ethical risks.



INDEPENDENT AUDITOR'S REPORT



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

Independent auditor's report to the shareholders of Shengjing Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 145 to 304, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standard Boards For Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

Refer to note 19, 20(c), 39 and 46 to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

The determination of the expected credit loss model is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments measured at amortised cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the Reporting Period.

How the matter was addressed in our audit

Our audit procedures to assess loss allowances of loans and financial investments measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of those business and loss allowance, the credit grading process and the measurement of loss allowances. For the key underlying systems used for the processing of transactions in above processes, we assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the parameters in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;
- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original documentary agreements, we compared the total balance of the loan and financial investments list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investments information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investments list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;



INDEPENDENT AUDITOR'S REPORT

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19, 20(c), 39 and 46 to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

We identified the impairment of loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the management's revisions to estimates and input parameters, compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;
- for key parameters which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis;
- evaluating the validity of management's assessment on whether the credit risk of the loan and advance granted and the financial investments at amortised cost has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19, 20(c), 39 and 46 to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

How the matter was addressed in our audit

- for selected samples of loans and financial investments measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows challenged the viability of the Group's recovery plans, and evaluated other credit enhancements that are integral to the contract terms;
- recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and investments where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively; and
- evaluating whether the disclosures on impairment of loans and financial investments measured at amortised cost meet the disclosure requirements in the prevailing accounting standards.



INDEPENDENT AUDITOR'S REPORT

FAIR VALUE OF FINANCIAL INSTRUMENTS

Refer to note 20(a), 20(b) and 46 to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

Financial instruments measured at fair value are one of the significant assets held by the Group and the fair value adjustments may affect profit or loss or other comprehensive income.

The valuation of the Group's financial instruments at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;
- evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and
- assessing whether the consolidated financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the relevant accounting standards.

CONSOLIDATION OF STRUCTURED ENTITIES

Refer to note 42, 43 and 46 to the consolidated financial statements and the accounting policies in note 2(c).

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
 - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;
 - reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;



INDEPENDENT AUDITOR'S REPORT

CONSOLIDATION OF STRUCTURED ENTITIES (CONTINUED)

Refer to note 42, 43 and 46 to the consolidated financial statements and the accounting policies in note 2(c).

The Key Audit Matter

How the matter was addressed in our audit

- reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;
- assessing management's judgement over whether the structured entity should be consolidated or not; and
- considering the disclosures in the consolidated financial statements in relation to structured entities with reference to the disclosure requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Bank are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chiu Lung Sang.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong,

28 March 2024

Chiu Lung Sang

Practising Certificate Number P08091



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	2023	2022
Interest income		38,376,991	43,348,175
Interest expense		(29,510,750)	(30,494,491)
Net interest income	3	8,866,241	12,853,684
Fee and commission income		728,444	614,886
Fee and commission expense		(581,921)	(350,614)
Net fee and commission income	4	146,523	264,272
Net trading (losses)/gains	5	(564,610)	171,359
Net gains arising from investments	6	1,520,394	2,814,803
Other operating income	7	71,277	48,993
Operating income		10,039,825	16,153,111
Operating expenses	8	(5,999,866)	(5,790,240)
Impairment losses on assets	11	(3,119,594)	(9,171,622)
Profit before taxation		920,365	1,191,249
Income tax expense	12	(155,606)	(171,980)
Profit for the year		764,759	1,019,269
Net profit attributable to:			
Equity shareholders of the Bank		732,434	979,898
Non-controlling interests		32,325	39,371
		764,759	1,019,269

The notes on pages 153 to 304 form part of these financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	2023	2022
Profit for the year		764,759	1,019,269
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		(4,095)	(4,210)
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	34(d)	(1,345,570)	(678,688)
Items that may be reclassified subsequently to profit or loss			
– Loans and advances to customers and debt instruments measured at fair value through other comprehensive income:			
– net movement in the fair value reserve	34(d)	274,116	220,862
– net movement in the provision reserve	34(e)	(1,127,363)	376,921
Other comprehensive loss net of tax		(2,202,912)	(85,115)
Total comprehensive (loss)/income		(1,438,153)	934,154
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Bank		(1,470,478)	894,783
Non-controlling interests		32,325	39,371
		(1,438,153)	934,154
Basic and diluted earnings per share (<i>in RMB</i>)	13	0.08	0.11

The notes on pages 153 to 304 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023**(Expressed in thousands of RMB, unless otherwise stated)*

	Note	31 December 2023	31 December 2022
Assets			
Cash and deposits with central bank	14	76,097,764	75,258,358
Deposits with banks and other financial institutions	15	7,506,953	7,207,614
Placements with banks and other financial institutions	16	9,591,254	6,232,027
Derivative financial assets	17	196,703	665,994
Financial assets held under resale agreements	18	3,099,878	9,377,937
Loans and advances to customers	19	496,289,504	630,599,417
Financial investments:			
Financial assets at fair value through profit or loss	20(a)	105,916,358	128,735,653
Financial assets at fair value through other comprehensive income	20(b)	86,554,502	45,032,269
Financial assets measured at amortised cost	20(c)	264,690,316	155,843,638
Property and equipment	22	5,041,423	5,105,886
Deferred tax assets	23	9,166,865	8,509,694
Other assets	24	15,901,186	9,844,622
Total assets		1,080,052,706	1,082,413,109
Liabilities			
Borrowings from central bank	25	839,337	1,190,119
Deposits from banks and other financial institutions	26	71,233,034	52,716,547
Placements from banks and other financial institutions	27	17,970,859	2,838,696
Financial liabilities at fair value through profit or loss		–	2,421,778
Derivative financial liabilities	17	218,373	601,799
Financial assets sold under repurchase agreements	28	106,901,210	128,661,609
Deposits from customers	29	779,966,905	788,752,335
Income tax payable		8,333	897,205
Debt securities issued	30	16,834,257	16,979,868
Other liabilities	31	6,185,535	5,916,058
Total liabilities		1,000,157,843	1,000,976,014

The notes on pages 153 to 304 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2023

(Expressed in thousands of RMB, unless otherwise stated)

	Note	31 December 2023	31 December 2022
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34(a)	26,957,822	26,931,360
Surplus reserve	34(b)	7,481,817	7,411,839
General reserve	34(c)	14,830,687	14,797,531
Fair value reserve	34(d)	(2,346,078)	(1,274,532)
Provision reserve	34(e)	111,686	1,239,049
Deficit on remeasurement of net defined benefit liability	34(f)	(32,943)	(28,848)
Retained earnings	34(g)	23,530,498	22,901,106
Total equity attributable to equity shareholders of the Bank		79,330,169	80,774,185
Non-controlling interests		564,694	662,910
Total equity		79,894,863	81,437,095
Total liabilities and equity		1,080,052,706	1,082,413,109

Approved and authorised for issue by the board of directors on 28 March 2024.

Sun Jin

Chairman of Board of Directors

Liu Xu

President

Bao Hong

Chief Financial Officer

Yang Xi

Person in Charge of Accounting Institution

Company chop

The notes on pages 153 to 304 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in thousands of RMB, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2023	8,796,680	26,931,360	7,411,839	14,797,531	(1,274,532)	1,239,049	(28,848)	22,901,106	80,774,185	662,910	81,437,095
Profit for the year	-	-	-	-	-	-	-	732,434	732,434	32,325	764,759
Other comprehensive income	-	-	-	-	(1,071,454)	(1,127,363)	(4,095)	-	(2,202,912)	-	(2,202,912)
Total comprehensive income	-	-	-	-	(1,071,454)	(1,127,363)	(4,095)	732,434	(1,470,478)	32,325	(1,438,153)
Appropriation of profit:											
– Appropriation to surplus reserve	34(b)	-	69,978	-	-	-	-	(69,978)	-	-	-
– Appropriation to general reserve (Note (i))	34(c)	-	-	33,156	-	-	-	(33,156)	-	-	-
Subtotal		-	69,978	33,156	-	-	-	(103,134)	-	-	-
Acquisition of non-controlling interests		-	26,462	-	-	-	-	-	26,462	(130,541)	(104,079)
Disposal of investment in equity investment at fair value through other comprehensive income:		-	-	-	(92)	-	-	92	-	-	-
Balance at 31 December 2023	8,796,680	26,957,822	7,481,817	14,830,687	(2,346,078)	111,686	(32,943)	23,530,498	79,330,169	564,694	79,894,863

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB33.16 million.

The notes on pages 153 to 304 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in thousands of RMB, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total			
Balance at 1 January 2022	8,796,680	26,931,360	7,319,347	14,013,554	(816,706)	862,128	(24,638)	22,797,677	79,879,402	623,539	80,502,941	
Profit for the year	-	-	-	-	-	-	-	979,898	979,898	39,371	1,019,269	
Other comprehensive income	-	-	-	-	(457,826)	376,921	(4,210)	-	(85,115)	-	(85,115)	
Total comprehensive income	-	-	-	-	(457,826)	376,921	(4,210)	979,898	894,783	39,371	934,154	
Appropriation of profit:												
- Appropriation to surplus reserve	34(b)	-	-	92,492	-	-	-	(92,492)	-	-	-	
- Appropriation to general reserve (Note (i))	34(c)	-	-	-	783,977	-	-	(783,977)	-	-	-	
Subtotal		-	-	92,492	783,977	-	-	(876,469)	-	-	-	
Balance at 31 December 2022	8,796,680	26,931,360	7,411,839	14,797,531	(1,274,532)	1,239,049	(28,848)	22,901,106	80,774,185	662,910	81,437,095	

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB70.64 million.

The notes on pages 153 to 304 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023
(Expressed in thousands of RMB, unless otherwise stated)

	Note	2023	2022
Cash flows from operating activities			
Profit before taxation		920,365	1,191,249
<i>Adjustments for:</i>			
Impairment losses on assets		3,119,594	9,171,622
Depreciation and amortisation		572,299	643,640
Interest expense of the lease liability		29,230	30,332
Net losses on unrealised foreign exchange		9,094	38,740
Net gains on disposal of property and equipment		(61)	(42)
Dividend income		(59,136)	(116,207)
Net trading gains of financial assets at fair value through profit or loss		(700,780)	(675,623)
Net gains on disposal of financial investments		(760,478)	(2,022,973)
Interest expense on debt securities issued		549,694	526,287
Interest income on financial investments		(6,492,826)	(6,890,230)
		<u>(2,813,005)</u>	<u>1,896,795</u>
<i>Changes in operating assets</i>			
Net decrease in deposits with central bank		5,514,020	2,182,015
Net increase in deposits and placements with bank and other financial institutions		(5,762,713)	(2,052,881)
Net increase in loans and advances to customers		(419,847)	(52,899,859)
Net (increase)/decrease in other operating assets		(6,284,872)	3,777,787
		<u>(6,953,412)</u>	<u>(48,992,938)</u>
<i>Changes in operating liabilities</i>			
Net decrease in borrowings from central bank		(350,782)	(441,803)
Net increase/(decrease) in deposits and placements from banks and other financial institutions		33,648,650	(4,968,518)
Net (decrease)/increase in financial assets sold under repurchase agreements		(21,760,399)	39,390,472
Net (decrease)/increase in deposits from customers		(8,785,430)	33,871,661
Income tax paid		(1,148,789)	(1,272,197)
Net increase in other operating liabilities		499,752	2,855,337
		<u>2,103,002</u>	<u>69,434,952</u>
Net cash flows (used in)/generated from operating activities		<u>(7,663,415)</u>	<u>22,338,809</u>

The notes on pages 153 to 304 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31 December 2023

(Expressed in thousands of RMB, unless otherwise stated)

	Note	2023	2022
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		1,220,022,254	930,321,291
Proceeds from disposal of property and equipment		579	2,107
Payments on acquisition of investments		(1,213,150,485)	(945,797,136)
Payments on acquisition of property and equipment, intangible assets and other assets		(434,837)	(215,526)
		<u>6,437,511</u>	<u>(15,689,264)</u>
Net cash flows generated from/(used in) investing activities			
		<u>6,437,511</u>	<u>(15,689,264)</u>
Cash flows from financing activities			
Net proceeds from new debt securities issued	36(b)	42,239,694	42,212,087
Repayment of debt securities issued	36(b)	(42,385,305)	(33,649,528)
Interest paid on debt securities issued	36(b)	(549,694)	(536,409)
Acquisition of non-controlling interests		(104,079)	–
Payment of lease liabilities		(203,651)	(211,054)
		<u>(1,003,035)</u>	<u>7,815,096</u>
Net cash flows (used in)/generated from financing activities			
		<u>(1,003,035)</u>	<u>7,815,096</u>
Effect of foreign exchange rate changes on cash and cash equivalents			
		<u>(212,138)</u>	<u>(543,159)</u>
Net (decrease)/increase in cash and cash equivalents			
		<u>(2,441,077)</u>	<u>13,921,482</u>
Cash and cash equivalents as at 1 January			
		<u>38,211,017</u>	<u>24,289,535</u>
Cash and cash equivalents as at 31 December			
	36(a)	<u><u>35,769,940</u></u>	<u><u>38,211,017</u></u>
Net cash flows generated from operating activities include:			
Interest received		<u>45,066,578</u>	<u>18,669,852</u>
Interest paid (excluding interest expense on debt securities issued)		<u>(30,784,920)</u>	<u>(30,416,327)</u>

The notes on pages 153 to 304 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

1 BACKGROUND INFORMATION

Shengjing Bank Co., Ltd. (the “Bank”), which was formerly known as Shenyang City Cooperative Bank Co., Ltd., is a joint-stock commercial bank established on 10 September 1997 with the approval of the People’s Bank of China (the “PBOC”) of the PRC according to the notices YinFu [1996] No. 362 “Approval upon the Preparing of Shenyang City Cooperative Bank” and YinFu [1997] No. 149 “Approval upon the Opening of Shenyang City Cooperative Bank”.

The Bank changed its name from Shenyang City Cooperative Bank Co., Ltd. to Shenyang Commercial Bank Co., Ltd. according to LiaoyinFuZi [1998] No. 78 issued by Liaoning Branch of the PBOC on 2 June 1998 and ShenYinFu [1998] No. 103 issued by Shenyang Branch of the PBOC on 29 June 1998. The Bank changed its name from Shenyang Commercial Bank Co., Ltd. to Shengjing Bank Co., Ltd. according to YinJianFu [2007] No. 68 issued by the National Financial Regulatory Administration (the “NFRA”) (formerly the China Banking and Insurance Regulatory Commission (the “CBIRC”)) of the PRC on 13 February 2007.

The Bank obtained its financial institution licence No. B0264H221010001 from the current Liaoning Bureau of the National Financial Regulatory Administration (formerly known as Liaoning Bureau of the China Banking and Insurance Regulatory Commission). The Bank obtained its business license No. 91210100117809938P from Shenyang Provincial Administration of Industry and Commerce. The registered office of the Bank is located at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC. In December 2014, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02066). As at 31 December 2023, the share capital of the Bank is RMB8,796.68 million.

The Bank has 18 branches in Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang and Tieling as at 31 December 2023. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the NFRA (formerly the “CBIRC”). The Bank mainly operated in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(a) Statement of compliance and basis of preparation (Continued)

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2023 comprise the Bank and its subsidiaries.

Unless stated otherwise, the financial statements are presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 46.

The measurement basis used in the preparation of the financial statements is the historical cost basis, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(f).

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Changes in accounting policies

The IASB has issued a number of new and amendments to IFRSs that are first effective for the current accounting period of the Group. The principal effects of new and revised IFRSs (including IAS) are as follows:

IAS 1 Amendments	Classification of Liabilities as Current or Non-current
IFRS 17 and Amendments	Insurance Contracts
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies
IAS 8 Amendments	Definition of Accounting Estimates
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 12 Amendments	International Tax Reform – Pillar Two Model Rules

The adoption of the above standards and amendments does not have significant impact on the operating results, financial position and comprehensive income of the Group for the year ended 31 December 2023.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(m)), unless the investment is classified as held for sale.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(f) Financial instruments

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets*

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

- Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial assets at fair value through profit or loss (“FVTPL”).

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.

Financial assets not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortised cost:

- The purpose of the Group’s business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group’s business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Subsequent measurement of financial assets

- Financial assets at FVTPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

- Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortisation using the effective interest method or recognition of impairment.

- Financial assets at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

- Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(iii) Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at FVTPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

– Financial liabilities at FVTPL

The financial liabilities include trading financial liabilities and financial liabilities designated at FVTPL.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

– Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities are subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation.

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(iv) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(v) Impairment

The Group recognises provision for expected credit loss on:

- Financial assets measured at amortised cost;
- Financial guarantees;
- Debt instruments at FVOCI; and
- Credit commitments.

Other financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the expected credit loss assessment.

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

The Group's measurement of expected credit losses is described in Note 39(a).

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(v) *Impairment (Continued)*

Presentation of provision for ECLs

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the consolidated statement of financial position. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when the following conditions are met:

- The Group's contractual rights to the cash flows from the financial asset expires;
- The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Financial instruments (Continued)

(vi) Derecognition of financial assets and financial liabilities (Continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.

(vii) Offsetting

Financial assets and financial liabilities are presented separately in the consolidated statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(h) Fair value measurement

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(m)). Construction in progress ("CIP") is stated in the consolidated statements of financial position at cost less impairment loss (Note 2(m)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Depreciation rate
Premises	20 – 30 years	3%	4.85% – 3.23%
Office equipment	5 years	3%	19.40%
Leasehold improvement	5 – 10 years	0%	20.00% – 10.00%
Others	3 – 5 years	3%	32.33% – 19.40%

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *Group acting as a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily branches or office premises. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- Right-of-use assets that meet the definition of investment property are carried at fair value; and
- Right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost in accordance with (Note 2(i)); and



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Leased assets (Continued)

(i) Group acting as a lessee (Continued)

- Right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.
- The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 2(f) (ii), 2(r) (i) and 2(f) (v)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets in 'other assets' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Leased assets (Continued)

(i) Group acting as a lessee (Continued)

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Leased assets (Continued)

(ii) Group acting as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in (Note 2(j)(i)), then the Group classifies the sub-lease as an operating lease.

(k) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(m)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software	5 – 10 years
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(l) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- Property and equipment
- Intangible assets
- Investments in subsidiaries
- Right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the “CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs.

An asset’s fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups and then, to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Provision for impairment losses on non-financial assets (Continued)

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, unemployment insurance and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

The Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Employee benefits (Continued)

(ii) *Supplementary retirement benefits*

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- In the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - The same taxable entity; or
 - Different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(f)(v) for details of the expected credit loss model.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(r) Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

When one of the following conditions are met, the Group performs its performance obligations over time, and otherwise, at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, The Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(r) **Income recognition (Continued)**

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service.

The specific accounting policies related to the revenue of Group's principal activities are described below:

(i) **Interest income**

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(r) Income recognition (Continued)

(ii) *Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date;
- In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

(iii) *Other income*

Other income is recognised on an accrual basis.

(iv) *Government grants*

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant. Government grants related to an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a straight-line basis over the useful life of the asset. Government grants that compensate the Group for expenses incurred are recognised in profit or loss in the periods in which the expenses are recognised.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(s) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(t) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the group if that person:

- (1) Has control or joint control over the Group;
- (2) Has significant influence over the Group; or
- (3) Is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (3) Both entities are joint ventures of the same third party;
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(u) Related parties (Continued)

(ii) *An entity is related to the Group if any of the following conditions applies: (Continued)*

- (6) The entity is controlled or jointly controlled by a person identified in (i);
- (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (8) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

3 NET INTEREST INCOME

	2023	2022
Interest income arising from		
Deposits with central bank	976,869	1,039,001
Deposits and placements with banks and other financial institutions	317,067	198,681
Loans and advances to customers		
– Corporate loans and advances	23,029,890	27,793,938
– Personal loans and advances	5,996,675	5,537,278
– Discounted bills	1,258,009	1,493,161
Financial assets held under resale agreements	305,655	395,886
Financial investments	6,492,826	6,890,230
	<hr/>	<hr/>
Subtotal	38,376,991	43,348,175
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Interest expense arising from		
Borrowings from central bank	(27,005)	(69,985)
Deposits and placements from banks and other financial institutions	(1,831,403)	(3,182,741)
Deposits from customers	(24,289,966)	(25,023,993)
Financial assets sold under repurchase agreements	(2,812,682)	(1,691,485)
Debt securities issued	(549,694)	(526,287)
	<hr/>	<hr/>
Subtotal	(29,510,750)	(30,494,491)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net interest income	8,866,241	12,853,684
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Note:

- (a) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.

4 NET FEE AND COMMISSION INCOME

	2023	2022
Fee and commission income		
Agency and custody services fees	543,095	400,177
Settlement and clearing services fees	26,912	42,153
Bank card services fees	158,437	172,556
Subtotal	728,444	614,886
Fee and commission expense	(581,921)	(350,614)
Net fee and commission income	146,523	264,272

5 NET TRADING (LOSSES)/GAINS

	2023	2022
Net (losses)/gains from debt securities	(141,402)	41,946
Net losses from derivatives and others	(54,001)	(26,679)
Net foreign exchange (losses)/gains	(369,207)	156,092
Total	(564,610)	171,359

6 NET GAINS ARISING FROM INVESTMENTS

	2023	2022
Net gains on disposal of financial assets at fair value through other comprehensive income	747,186	577,342
Net gains on financial assets at fair value through profit or loss	700,780	675,623
Dividends from designated as financial assets at fair value through other comprehensive income	59,136	116,207
Net gains on disposal of financial assets measured at amortised cost	13,292	1,445,631
Total	1,520,394	2,814,803

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***7 OTHER OPERATING INCOME**

	2023	2022
Net gains on disposal of property and equipment	61	42
Rental income	10,515	6,868
Government grants	14,033	8,458
Handling charge income	90	99
Others	46,578	33,526
	<hr/>	<hr/>
Total	71,277	48,993
	<hr/> <hr/>	<hr/> <hr/>

8 OPERATING EXPENSES

	2023	2022
Staff costs		
– Salaries, bonuses and allowances	2,067,794	2,185,903
– Pension and annuity	329,341	319,307
– Other social insurance	279,730	270,422
– Housing allowances	181,873	174,464
– Supplementary retirement benefits	1,531	5,119
– Others	249,789	235,789
	<hr/>	<hr/>
Subtotal	3,110,058	3,191,004
Office expenses	318,381	296,100
Depreciation and amortisation	382,120	412,720
Tax and surcharges	336,641	331,254
Depreciation of the right-of-use assets	190,179	177,747
Rental and property management expenses	139,755	147,255
Interest expense of the lease liability	29,230	30,332
Other general and administrative expenses <i>(Note(a))</i>	1,493,502	1,203,828
	<hr/>	<hr/>
Total	5,999,866	5,790,240
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) Auditor's remuneration for annual audit and interim review services were RMB3.90 million and RMB2.60 million for the year ended 31 December 2023, respectively (2022: RMB3.90 million and RMB2.60 million).



9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	Fees	Salaries	Discretionary bonuses	2023		Deferred payment	Actual amount of remuneration paid (pre-tax)
				Contributions to social pension schemes	Total emoluments before tax		
Executive directors							
Sun Jin (<i>Note (g)</i>)	–	1,129	12	63	1,204	6	1,198
Liu Xu	–	1,709	715	88	2,512	357	2,155
Shi Yang	–	1,252	3,020	104	4,376	1,208	3,168
Qiu Huofa (<i>Note (d)</i>)	–	374	–	–	374	–	374
Shen Guoyong (<i>Note (f)</i>)	–	960	–	109	1,069	–	1,069
Li Ying (<i>Note (h)</i>)	–	1,254	263	34	1,551	131	1,420
Non-executive directors							
Su Qingxiang	–	–	–	–	–	–	–
Liang Zhifang	–	–	–	–	–	–	–
Wang Jun	–	–	–	–	–	–	–
Jiang Aiguo	–	–	–	–	–	–	–
Independent non-executive directors							
Tai Kwok Leung	–	120	30	–	150	–	150
Xing Tiancai	–	120	30	–	150	–	150
Li Jinyi	–	120	30	–	150	–	150
Wang Mo	–	120	30	–	150	–	150
Lv Dan	–	120	30	–	150	–	150
Supervisors							
Liu Yan (<i>Note (g)</i>)	–	667	12	72	751	6	745
Yu Xiaolong	–	1,027	1,827	109	2,963	731	2,232
Niu Jiao	–	717	1,262	107	2,086	505	1,581
Yuen Wing Shing	–	–	–	–	–	–	–
Ba Junyu	–	96	45	–	141	–	141
Sun Hang	–	96	45	–	141	–	141
Cheng Hua	–	96	45	–	141	–	141
Yang Xiu	–	–	–	–	–	–	–
Chen Shijun	–	677	830	95	1,602	332	1,270
Han Li (<i>Note (e)</i>)	–	158	–	9	167	–	167
Total	–	10,812	8,226	790	19,828	3,276	16,552



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Fees	Salaries	Discretionary bonuses	2022	Total emoluments before tax	Deferred payment	Actual amount of remuneration paid (pre-tax)
				Contributions to social pension schemes			
Executive directors							
Qiu Huofa (Note (d))	–	2,243	360	–	2,603	175	2,428
Shen Guoyong (Note (f))	–	1,811	610	138	2,559	300	2,259
Liu Xu	–	1,003	350	90	1,443	175	1,268
Zhang Jun (Note (b))	–	1,505	555	138	2,198	275	1,923
Shi Yang	–	1,211	4,729	117	6,057	1,887	4,170
Li Ying (Note (h))	–	1,505	560	138	2,203	275	1,928
Non-executive directors							
Su Qingxiang	–	–	–	–	–	–	–
Liang Zhifang	–	–	–	–	–	–	–
Zhu Jialin (Note (a))	–	–	–	–	–	–	–
Ji Kun (Note (a))	–	–	–	–	–	–	–
Wang Jun	–	–	–	–	–	–	–
Jiang Aiguo	–	–	–	–	–	–	–
Pan Darong (Note (a))	–	–	–	–	–	–	–
Independent non-executive directors							
Ni Guoju (Note (b))	–	182	90	–	272	–	272
Keung Chak (Note (b))	–	182	90	–	272	–	272
Tai Kwok Leung	–	192	90	–	282	–	282
Xing Tiancai	–	192	90	–	282	–	282
Li Jinyi	–	192	90	–	282	–	282
Wang Mo	–	10	–	–	10	–	10
Lv Dan	–	10	–	–	10	–	10
Supervisors							
Yu Xiaolong	–	1,000	2,450	138	3,588	976	2,612
Niu Jiao	–	727	951	117	1,795	376	1,419
Han Li (Note (e))	–	653	60	57	770	25	745
Yuen Wing Shing	10	–	–	–	10	–	10
Pan Wenge (Note (b))	10	–	–	–	10	–	10
Ba Junyu	–	186	65	–	251	–	251
Sun Hang	–	186	65	–	251	–	251
Cheng Hua	–	186	60	–	246	–	246
Chen Shijun	–	669	725	117	1,511	290	1,221
Yang Xiu	–	–	–	–	–	–	–
Xu Li (Note (c))	–	728	1,105	117	1,950	468	1,482
Total	20	14,573	13,095	1,167	28,855	5,222	23,633

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (a) At 30 March 2022, Mr Zhu Jialin, Mr Ji Kun resigned as the executive directors of the Bank. At 30 March 2022, Mr Pan Darong resigned as the non-executive director of the Bank.
- (b) At 11 May 2022, Ms Zhang Jun resigned as the executive director of the Bank; Mr Ni Guojun and Mr Keung Chak resigned as independent non-executive directors of the Bank; Mr Pan Wenge resigned as the supervisor of the Bank.
- (c) At 23 August 2022, Ms Xu Li resigned as the staff supervisor of the Bank.
- (d) Mr Qiu Huofa resigned as the bank chairman, executive director, director of the Strategic Development Committee and deputy director of the Nomination and Remuneration Committee of the Board of Directors due to age reason at 15 February 2023, and effective from 15 February 2023.
- (e) Mr Han Li resigned as the supervisor, chief supervisor of the Bank's 7th board of supervisors at 10 April 2023.
- (f) Mr Shen Guoyong resigned as the bank president, executive director at 11 April 2023.
- (g) At the Bank's 2022 Annual General Meeting held on 2 June 2023, Mr Sun Jin was elected as executive directors of the Bank; Liu Yan was elected as Supervisor of the Bank, elected as the chief Supervisor of the bank 7th board of supervisors and approved by the board of supervisors. The banking and insurance regulatory authorities have officially approved the Mr Sun jin's appointment qualifications of the Chairman at 3 November 2023.
- (h) Ms Li Ying resigned as the executive director of the Bank at 16 August 2023.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2023, the five individuals with highest emoluments included 1 (2022: 1) director and 1 (2022: 0) supervisor of the Bank, whose emoluments are disclosed in Note 9. The emoluments for the 3 (2022: 4) non-director and non-supervisor highest paid individuals for the year ended 31 December 2023 are as follows:

	2023	2022
Salaries and other emoluments	2,212	2,796
Discretionary bonuses	9,010	15,658
Contributions to pension schemes	401	510
Total	11,623	18,964

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***10 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)**

The individuals whose emoluments before individual income tax are within the following bands are set out below:

	2023	2022
RMB3,000,001 – 4,000,000	1	2
RMB4,000,001 – 5,000,000	2	–
RMB5,000,001 – 6,000,000	–	1
RMB7,000,001 – 8,000,000	–	1
Total	3	4

11 IMPAIRMENT LOSSES ON ASSETS

	2023	2022
Loans and advances to customers	1,036,135	5,644,350
Financial investments	2,088,542	3,557,276
Deposits and placements with banks and other financial institutions	(355,777)	402,850
Financial assets held under resale agreements	(1,178)	1,442
Credit commitment	(311,871)	(5,645)
Others	663,743	(428,651)
Total	3,119,594	9,171,622

12 INCOME TAX EXPENSE**(a) Income tax for the year:**

	2023	2022
Current tax	4,185	1,363,152
Under-provision in prior years	81,168	1,267
Deferred tax	70,253	(1,192,439)
Total	155,606	171,980

12 INCOME TAX EXPENSE (CONTINUED)**(b) Reconciliations between income tax and accounting profit are as follows:**

	<i>Note</i>	2023	2022
Profit before taxation		920,365	1,191,249
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		230,091	297,812
Tax effect of non-deductible expenses			
– Impairment losses and write-offs		257,753	321,858
– Entertainment expenses		5,629	5,417
– Others		(14,879)	46,014
Subtotal		248,503	373,289
Tax affect of non-taxable income	12(b)(i)	(405,402)	(500,388)
Deductable temporary difference due to unrecognised deferred tax asset		1,246	–
Under-provision in prior years		81,168	1,267
Income tax		155,606	171,980

Note:

- (i) Non-taxable income consists of interest income from the PRC government bonds, local government bonds, public funds and dividends from domestic companies, which are exempted from income tax under the PRC tax regulations.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***13 BASIC AND DILUTED EARNINGS PER SHARE**

	2023	2022
Net profit attributable to equity shareholders of the Bank	732,434	979,898
Weighted average number of ordinary shares <i>(in thousands)</i>	8,796,680	8,796,680
Basic and diluted earnings per share attributable to equity shareholders of the Bank <i>(in RMB)</i>	0.08	0.11

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2023	2022
Number of ordinary shares as at 1 January	8,796,680	8,796,680
Increase in weighted average number of ordinary shares	—	—
Weighted average number of ordinary shares	8,796,680	8,796,680

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2023	31 December 2022
Cash on hand		1,108,497	786,033
Deposits with central bank			
– Statutory deposit reserves	14(a)	52,533,323	58,114,589
– Surplus deposit reserves	14(b)	22,261,823	16,230,861
– Fiscal deposits		166,952	96,901
Subtotal		74,962,098	74,442,351
Add: interest receivable		27,169	29,974
Total		76,097,764	75,258,358



14 CASH AND DEPOSITS WITH CENTRAL BANK (CONTINUED)

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2023	31 December 2022
Reserve ratio for RMB deposits	7.00%	7.50%
Reserve ratio for foreign currency deposits	4.00%	6.00%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Deposits in mainland China		
– Banks	3,985,096	4,525,742
– Other financial institutions	1,858,186	1,802,808
Deposits outside mainland China		
– Banks	1,667,337	1,278,333
Subtotal	7,510,619	7,606,883
Add: interest receivable	297	3,196
Less: provision for impairment losses	(3,963)	(402,465)
Total	7,506,953	7,207,614

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)****(b) Movements of provision for impairment losses**

	2023	2022
As at 1 January	402,465	1,613
Net (release)/charge for the year	(341,163)	400,852
Transfer out	(57,339)	–
As at 31 December	3,963	402,465

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**(a) Analysed by type and location of counterparty**

	31 December 2023	31 December 2022
Placements in mainland China		
– Banks	–	498,230
– Other financial institutions	9,609,000	5,840,000
Subtotal	9,609,000	6,338,230
Add: interest receivable	119,915	46,072
Less: provision for impairment losses	(137,661)	(152,275)
Total	9,591,254	6,232,027

(b) Movements of provision for impairment losses

	2023	2022
As at 1 January	152,275	150,277
Net (release)/charge for the year	(14,614)	1,998
As at 31 December	137,661	152,275

17 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including option contracts, forwards and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

(a) Analysed by nature of contract

	31 December 2023		
	Notional amount	Fair value Assets	Liabilities
Interest rate swaps	11,260,000	17,767	(17,861)
Currency swaps	10,319,494	88,909	(87,304)
Precious metal derivatives	8,455,172	13,635	(41,854)
Foreign forward contracts	1,845,005	13,650	(8,612)
Option contracts	1,180,436	62,742	(62,742)
Total	33,060,107	196,703	(218,373)

	31 December 2022		
	Notional amount	Fair value Assets	Liabilities
Interest rate swaps	47,350,000	211,059	(175,631)
Currency swaps	9,137,555	87,823	(59,348)
Foreign forward contracts	241,816	1,395	(1,097)
Option contracts	2,914,502	365,717	(365,723)
Total	59,643,873	665,994	(601,799)

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)****(b) Analysed by credit risk-weighted amount**

	31 December 2023	31 December 2022
Currency swaps	25,799	3,482
Precious metal derivatives	21,138	–
Foreign forward contracts	4,613	–
Option contracts	2,951	7,286
Total	54,501	10,768

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the NFRA (formerly the “CBIRC”).

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS**(a) Analysed by type and location of counterparty**

	31 December 2023	31 December 2022
In mainland China		
– Banks	2,110,000	6,171,684
– Other financial institutions	990,000	3,205,557
Subtotal	3,100,000	9,377,241
Add: interest receivable	417	2,413
Less: provision for impairment losses	(539)	(1,717)
Total	3,099,878	9,377,937

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)**(b) Analysed by type of security held**

	31 December 2023	31 December 2022
Debt securities held under resale agreements	3,100,000	5,355,557
Bill held under resale agreements	–	4,021,684
Add: interest receivable	417	2,413
Less: provision for impairment losses	(539)	(1,717)
	<u>3,099,878</u>	<u>9,377,937</u>
Total	<u>3,099,878</u>	<u>9,377,937</u>

(c) Movements of provision for impairment losses

	2023	2022
As at 1 January	1,717	275
Net (release)/charge for the year	(1,178)	1,442
	<u>539</u>	<u>1,717</u>
As at 31 December	<u>539</u>	<u>1,717</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS****(a) Analysed by nature**

	31 December 2023	31 December 2022
Measured at amortised cost:		
Corporate loans and advances	299,044,027	408,058,753
Personal loans and advances		
– Residential mortgage	53,510,771	56,976,280
– Personal consumption loans	35,024,031	25,408,964
– Personal business loans	6,681,501	8,468,525
– Credit cards	13,333,373	9,026,045
Subtotal	108,549,676	99,879,814
Gross loans and advances to customers measured at amortised cost	407,593,703	507,938,567
Measured at fair value through other comprehensive income:		
– Corporate loans and advances	9,059,814	12,954,610
– Discounted bills	61,223,282	92,469,152
Gross loans and advances to customers measured at fair value through other comprehensive income	70,283,096	105,423,762
Gross loans and advances to customers	477,876,799	613,362,329
Add: interest receivable	38,692,307	44,612,261
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(20,279,602)	(27,375,173)
Net loans and advances to customers	496,289,504	630,599,417

As at 31 December 2023, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB144.95 million (31 December 2022: RMB352.03 million), as detailed in Note 19(f).

19 LOANS AND ADVANCES TO CUSTOMERS(CONTINUED)**(b) Analysed by economic sector**

	31 December 2023		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	118,223,777	25%	60,707,094
Renting and business activities	72,446,420	15%	40,685,652
Real estate	44,554,021	9%	41,073,379
Manufacturing	29,502,683	6%	7,455,218
Construction	10,718,448	2%	5,371,537
Transportation, storage and postal services	5,470,225	1%	4,018,748
Mining	3,343,213	1%	542,955
Production and supply of electricity, heat, gas and water	2,854,364	1%	935,025
Accommodation and catering	1,987,802	1%	1,886,300
Household and other services	1,407,052	0%	1,384,488
Culture, sports and entertainment	1,094,636	0%	59,860
Agriculture, forestry, animal husbandry and fishery	949,178	0%	243,348
Others	15,552,022	3%	4,898,317
Subtotal of corporate loans and advances	<u>308,103,841</u>	<u>64%</u>	<u>169,261,921</u>
Personal loans and advances	108,549,676	23%	54,720,838
Discounted bills	<u>61,223,282</u>	<u>13%</u>	<u>61,223,282</u>
Gross loans and advances to customers	<u><u>477,876,799</u></u>	<u><u>100%</u></u>	<u><u>285,206,041</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(b) Analysed by economic sector (Continued)**

	31 December 2022		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	146,667,851	24%	66,823,399
Renting and business activities	92,009,229	15%	52,084,092
Real estate	79,199,510	13%	46,004,271
Manufacturing	35,796,852	6%	7,573,755
Construction	35,248,613	6%	24,630,396
Transportation, storage and postal services	4,924,427	1%	405,128
Production and supply of electricity, heat, gas and water	2,997,032	1%	437,226
Accommodation and catering	2,183,692	0%	2,072,732
Mining	1,463,022	0%	113,763
Household and other services	1,371,865	0%	1,362,340
Culture, sports and entertainment	1,007,244	0%	34,900
Agriculture, forestry, animal husbandry and fishery	618,572	0%	232,376
Others	17,525,454	3%	4,909,536
Subtotal of corporate loans and advances	<u>421,013,363</u>	<u>69%</u>	<u>206,683,914</u>
Personal loans and advances	99,879,814	16%	58,866,395
Discounted bills	<u>92,469,152</u>	<u>15%</u>	<u>92,442,307</u>
Gross loans and advances to customers	<u><u>613,362,329</u></u>	<u><u>100%</u></u>	<u><u>357,992,616</u></u>



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	31 December 2023	31 December 2022
Unsecured loans	68,627,122	65,487,460
Guaranteed loans	124,043,636	189,794,466
Loans secured by tangible assets other than monetary assets	203,536,856	225,634,878
Loans secured by intangible assets or monetary assets	81,669,185	132,445,525
Gross loans and advances to customers	477,876,799	613,362,329
Add: interest receivable	38,692,307	44,612,261
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(20,279,602)	(27,375,173)
Net loans and advances to customers	496,289,504	630,599,417

(d) Overdue loans analysed by overdue period

	31 December 2023				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	749,365	381,082	629,564	129,621	1,889,632
Guaranteed loans	6,307,034	1,380,134	1,077	2,795,294	10,483,539
Loans secured by tangible assets other than monetary assets	6,142,420	2,492,150	1,411,733	2,527,151	12,573,454
Loans secured by intangible assets or monetary assets	80,381	1,597	11,856	331	94,165
Total	13,279,200	4,254,963	2,054,230	5,452,397	25,040,790
As a percentage of gross loans and advances to customers	2.78%	0.89%	0.43%	1.14%	5.24%

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(d) Overdue loans analysed by overdue period (Continued)**

	31 December 2022				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	443,783	640,121	514,178	71,277	1,669,359
Guaranteed loans	5,205,199	2,689,566	3,365,840	3,968,830	15,229,435
Loans secured by tangible assets other than monetary assets	3,364,474	2,730,049	1,081,365	3,288,525	10,464,413
Loans secured by intangible assets or monetary assets	<u>2,409,147</u>	<u>383,668</u>	<u>81,919</u>	<u>79,739</u>	<u>2,954,473</u>
Total	<u>11,422,603</u>	<u>6,443,404</u>	<u>5,043,302</u>	<u>7,408,371</u>	<u>30,317,680</u>
As a percentage of gross loans and advances to customers	<u>1.86%</u>	<u>1.05%</u>	<u>0.82%</u>	<u>1.21%</u>	<u>4.94%</u>

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**(e) Loans and advance and provision for impairment losses**

- (i) As at 31 December 2023, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2023			Total
	Loans and advances that are assessed for 12-month ECL	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	432,121,287	29,783,451	15,972,061	477,876,799
Add: interest receivable	36,170,821	2,521,486	–	38,692,307
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(5,247,512)</u>	<u>(6,248,958)</u>	<u>(8,783,132)</u>	<u>(20,279,602)</u>
Net loans and advances to customers	<u>463,044,596</u>	<u>26,055,979</u>	<u>7,188,929</u>	<u>496,289,504</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(e) Loans and advance and provision for impairment losses (Continued)**

- (ii) As at 31 December 2022, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2022			Total
	Loans and advances that are assessed for 12-month ECL	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	552,431,568	39,195,942	21,734,819	613,362,329
Add: interest receivable	40,615,613	3,996,648	–	44,612,261
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(7,183,023)</u>	<u>(7,843,415)</u>	<u>(12,348,735)</u>	<u>(27,375,173)</u>
Net loans and advances to customers	<u>585,864,158</u>	<u>35,349,175</u>	<u>9,386,084</u>	<u>630,599,417</u>



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

As at 31 December 2023, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired loans	Lifetime ECL – credit- impaired loans	
As at 1 January	7,183,023	7,843,415	12,348,735	27,375,173
Transferred:				
– to ECL over the next 12 months	5,571	(136)	(5,435)	–
– to lifetime ECL – not credit-impaired loans	(109,523)	594,749	(485,226)	–
– to lifetime ECL – credit-impaired loans	(20,672)	(635,268)	655,940	–
Net (release)/charge for the year	(1,810,887)	(1,553,802)	4,607,901	1,243,212
Transfer out	–	–	(7,841,229)	(7,841,229)
Write-offs	–	–	(531,199)	(531,199)
Recoveries	–	–	33,645	33,645
As at 31 December	<u>5,247,512</u>	<u>6,248,958</u>	<u>8,783,132</u>	<u>20,279,602</u>

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired loans	Lifetime ECL – credit- impaired loans	
As at 1 January	352,028	–	–	352,028
Net release for the year	<u>(207,077)</u>	–	–	<u>(207,077)</u>
As at 31 December	<u>144,951</u>	–	–	<u>144,951</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

As at 31 December 2022, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired loans	Lifetime ECL – credit- impaired loans	
As at 1 January	6,421,176	7,417,897	10,833,049	24,672,122
Transferred:				
– to ECL over the next 12 months	2,239	(156)	(2,083)	–
– to lifetime ECL – not credit-impaired loans	(80,240)	611,595	(531,355)	–
– to lifetime ECL – credit-impaired loans	(4,008)	(9,175)	13,183	–
Net charge/(release) for the year	843,856	(176,746)	5,076,850	5,743,960
Transfer out	–	–	(2,700,152)	(2,700,152)
Write-offs	–	–	(355,209)	(355,209)
Recoveries	–	–	14,452	14,452
As at 31 December	<u>7,183,023</u>	<u>7,843,415</u>	<u>12,348,735</u>	<u>27,375,173</u>

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired loans	Lifetime ECL – credit- impaired loans	
As at 1 January	451,638	–	–	451,638
Net release for the year	<u>(99,610)</u>	<u>–</u>	<u>–</u>	<u>(99,610)</u>
As at 31 December	<u><u>352,028</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>352,028</u></u>

Notes:

- (a) Analysed by movements in loss allowance.

The movements of loss allowance are mainly affected by:

- Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;
- Allowance for new loans and advances to customers recognised;
- Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;
- The reversal of allowances caused by repayment, write-offs and loans and advances to customers transferred out.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

Notes (Continued):

- (b) Provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the losses or gains impairment are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the consolidated statement of financial position are not reduced.
- (c) As at 31 December 2023, the Group adjusted the five-tier classification and customer rating of loans and advance to customers measured at amortised cost, and the loan principal of lifetime ECL – not credit-impaired and lifetime ECL – credit-impaired transferred to ECL over the next 12 months were RMB12.56 million. The loan principal from ECL over the next 12 months and lifetime ECL – credit-impaired transferred to lifetime ECL – not credit-impaired were RMB6,814.77 million, the principal of the loan transferred from ECL over the 12 months and lifetime ECL – not credit-impaired to lifetime ECL – credit-impaired were RMB4,225.74 million.

As at 31 December 2022, the Group adjusted the five-tier classification and customer rating of loans and advance to customers measured at amortised cost, and the loan principal of lifetime ECL – not credit-impaired and lifetime ECL – credit-impaired transferred to ECL over the next 12 months were RMB97.75 million. The loan principal from ECL over the next 12 months and lifetime ECL – credit-impaired transferred to lifetime ECL – not credit-impaired were RMB17,128.70 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL – not credit-impaired to lifetime ECL – credit-impaired were RMB390.29 million.



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(g) Analysed by geographical sector (Note (i))

	31 December 2023		Loans and advances secured by collaterals
	Loans balance	Percentage	
Northeast China	448,723,451	94%	271,354,000
North China	17,375,764	4%	6,813,718
Others	11,777,584	2%	7,038,323
Gross loans and advances to customers	<u>477,876,799</u>	<u>100%</u>	<u>285,206,041</u>

	31 December 2022		Loans and advances secured by collaterals
	Loans balance	Percentage	
Northeast China	555,338,658	91%	339,499,771
North China	39,162,002	6%	7,603,522
Others	18,861,669	3%	10,889,323
Gross loans and advances to customers	<u>613,362,329</u>	<u>100%</u>	<u>357,992,616</u>

Note:

- (i) The definitions of the geographical sectors are set out in Note 38(b).

20 FINANCIAL INVESTMENTS

	Note	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	20(a)	105,916,358	128,735,653
Financial assets at fair value through other comprehensive income	20(b)	86,554,502	45,032,269
Financial assets measured at amortised cost	20(c)	<u>264,690,316</u>	<u>155,843,638</u>
Total		<u>457,161,176</u>	<u>329,611,560</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(a) Financial assets at fair value through profit or loss**

	31 December 2023	31 December 2022
Debt securities at fair value listed		
outside Hong Kong		
– Policy banks	2,322,296	10,091
– Banks and other financial institutions	201,097	197,132
– Corporate	1,043,120	1,030,961
	<hr/>	<hr/>
Subtotal	3,566,513	1,238,184
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Wealth management plans	51,133,490	53,319,960
Investment funds	28,679,493	52,313,130
Trust scheme investment	22,210,520	21,699,114
Others	11,499	–
	<hr/>	<hr/>
Subtotal	102,035,002	127,332,204
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Equity investment		
– Listed	263,359	113,781
– Unlisted	51,484	51,484
	<hr/>	<hr/>
Subtotal	314,843	165,265
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total	105,916,358	128,735,653
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20 FINANCIAL INVESTMENTS (CONTINUED)**(b) Financial assets at fair value through other comprehensive income**

	31 December 2023	31 December 2022
Debt securities at fair value listed outside Hong Kong		
– Government	44,754,896	16,337,425
– Policy banks	21,717,568	13,145,472
– Banks and other financial institutions	778,894	3,048,825
– Corporate	808,153	3,072,431
	<hr/>	<hr/>
Subtotal	68,059,511	35,604,153
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Commercial banks undated capital bonds	1,072,640	1,090,000
Equity investments		
– Listed	1,000,523	1,278,637
– Unlisted	15,868,699	6,663,614
	<hr/>	<hr/>
Subtotal	17,941,862	9,032,251
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Add: interest receivable	553,129	395,865
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Total	86,554,502	45,032,269
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NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income (Continued)

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	2,186	–	1,297,851	1,300,037
Net charge/(release) for the year	1,778	–	(664,332)	(662,554)
Transfer out	–	–	(633,519)	(633,519)
As at 31 December	<u>3,964</u>	<u>–</u>	<u>–</u>	<u>3,964</u>

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	889	–	696,978	697,867
Net charge for the year	1,297	–	1,477,438	1,478,735
Transfer out	–	–	(876,565)	(876,565)
As at 31 December	<u>2,186</u>	<u>–</u>	<u>1,297,851</u>	<u>1,300,037</u>

- (i) For the years ended 31 December 2023 and 31 December 2022, there is no transfer of stages between the above debt instruments.
- (ii) Provision for impairment losses of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the consolidated statement of financial position are not reduced.
- (iii) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

20 FINANCIAL INVESTMENTS (CONTINUED)**(c) Financial assets measured at amortised cost**

	31 December 2023	31 December 2022
Debt securities issued by the following institutions outside Hong Kong		
– Government	20,006,787	30,509,415
– Policy banks	28,480,180	31,686,666
– Banks and other financial institutions	2,000,000	5,982,504
– Corporate	179,426,068	3,500,883
	<hr/>	<hr/>
Subtotal	229,913,035	71,679,468
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Wealth management plan	2,920,856	4,428,102
Beneficial investment of trust	33,340,269	79,276,722
	<hr/>	<hr/>
Subtotal	36,261,125	83,704,824
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Add: interest receivable	4,505,481	6,317,030
Less: provision for impairment losses	(5,989,325)	(5,857,684)
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total	264,690,316	155,843,638
	<hr style="border-top: 3px double red;"/>	<hr style="border-top: 3px double red;"/>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(c) Financial assets measured at amortised cost (Continued)**

The movements of provision for financial assets at amortised cost are as follows:

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	867,371	1,091,089	3,899,224	5,857,684
Transferred:				
– to lifetime ECL – not credit-impaired investments	(143,956)	143,956	–	–
– to lifetime ECL – credit-impaired investments	(97)	–	97	–
Net charge for the year	881,118	1,276,566	593,412	2,751,096
Transfer out	<u>(1,295,558)</u>	<u>(375,183)</u>	<u>(948,714)</u>	<u>(2,619,455)</u>
As at 31 December	<u>308,878</u>	<u>2,136,428</u>	<u>3,544,019</u>	<u>5,989,325</u>



20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

The movements of provision for financial assets at amortised cost are as follows: (continued)

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	719,400	1,103,626	2,787,892	4,610,918
Transferred:				
– to lifetime ECL – not credit-impaired investments	–	561,279	(561,279)	–
– to lifetime ECL – credit-impaired investments	(8,458)	(335,677)	344,135	–
Net charge/(release) for the year	156,429	(238,139)	2,160,251	2,078,541
Transfer out	–	–	(831,775)	(831,775)
As at 31 December	<u>867,371</u>	<u>1,091,089</u>	<u>3,899,224</u>	<u>5,857,684</u>

Notes

- (i) In the year of 2023, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from ECL over the next 12 months was transferred to lifetime ECL – not credit-impaired of RMB10,682.74 million. The financial assets measured at amortised cost from ECL over the next 12 months to lifetime ECL – credit-impaired of RMB3.7 million.

In the year of 2022, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from lifetime ECL – credit-impaired was transferred to lifetime ECL – not credit-impaired of RMB1,363.2 million. The financial assets measured at amortised cost from ECL over the next 12 months and lifetime ECL – not credit-impaired to lifetime ECL – credit-impaired was RMB5,860.17 million.

- (ii) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES

The Bank

	31 December 2023	31 December 2022
Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei")	35,321	35,321
Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin")	6,230	6,230
Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku")	6,262	6,262
Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong")	6,097	6,097
Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei")	30,039	30,039
Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan")	62,208	62,208
Shengjing Bank Consumer Finance Co., Ltd. ("Shengjing Consumer")	180,000	180,000
Total	326,157	326,157

As at 31 December 2023, background of the subsidiaries is as follows:

	Note	Date of incorporation	Place of incorporation, registration and operations	Registered capital	Percentage owned by the Bank	Business sector	Economic nature/type
Shenyang Shenbei	21(a)	09/02/2009	Liaoning, China	150,000	20%	Banking	Incorporated company
Shenyang Xinmin	21(b)	25/06/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Faku	21(c)	26/10/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Liaozhong	21(d)	26/11/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Ningbo Jiangbei	21(e)	17/08/2011	Zhejiang, China	100,000	30%	Banking	Incorporated company
Shanghai Baoshan	21(f)	09/09/2011	Shanghai, China	150,000	40%	Banking	Incorporated company
Shengjing Consumer		25/02/2016	Liaoning, China	300,000	75%	Consumer finance	Limited company

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Bank (Continued)

Notes:

- (a) According to the revised Articles of Association of Shenyang Shenbei approved by the General Meeting held in June 2012, the financial and operational decisions of Shenyang Shenbei were made by the Bank. The Bank also agreed with seven shareholders who held in total 61.34% of ownership and voting power of Shenyang Shenbei that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Shenbei and classified its investment in Shenyang Shenbei as investments in subsidiaries.
- (b) According to the revised Articles of Association of Shenyang Xinmin approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Xinmin were made by the Bank. The Bank also agreed with eight shareholders who held in total 55% of ownership and voting power of Shenyang Xinmin that these eight shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Xinmin and classified its investment in Shenyang Xinmin as investments in subsidiaries.
- (c) According to the revised Articles of Association of Shenyang Faku approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Faku were made by the Bank. The Bank also agreed with seven shareholders who held in total 50% of ownership and voting power of Shenyang Faku that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Faku and classified its investment in Shenyang Faku as investments in subsidiaries.
- (d) According to the revised Articles of Association of Shenyang Liaozhong approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Liaozhong were made by the Bank. The Bank also agreed with eleven shareholders who held in total 70% of ownership and voting power of Shenyang Liaozhong that these eleven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Liaozhong and classified its investment in Shenyang Liaozhong as investments in subsidiaries.
- (e) According to the revised Articles of Association of Ningbo Jiangbei approved by the General Meetings held in June 2012, the financial and operational decisions of Ningbo Jiangbei were made by the Bank. The Bank also agreed with six shareholders who held in total 50% of ownership and voting power of Ningbo Jiangbei that these six shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Ningbo Jiangbei and classified its investment in Ningbo Jiangbei as investments in subsidiaries.
- (f) According to the revised Articles of Association of Shanghai Baoshan approved by the General Meetings held in June 2012, the financial and operational decisions of Shanghai Baoshan were made by the Bank. The Bank also agreed with four shareholders who held in total 35.33% of ownership and voting power of Shanghai Baoshan that these four shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shanghai Baoshan and classified its investment in Shanghai Baoshan as investments in subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

22 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Cost						
As at 1 January 2022	4,470,324	1,184,902	2,286,759	1,088,087	88,193	9,118,265
Additions	-	29,428	-	56,976	22,765	109,169
Disposals	(124)	-	-	(48,098)	(6,139)	(54,361)
As at 31 December 2022 and 1 January 2023	4,470,200	1,214,330	2,286,759	1,096,965	104,819	9,173,073
Additions	18,515	17,820	24,242	178,911	16,445	255,933
Disposals	-	-	-	(15,563)	(3,577)	(19,140)
As at 31 December 2023	4,488,715	1,232,150	2,311,001	1,260,313	117,687	9,409,866
Accumulated depreciation						
As at 1 January 2022	(1,916,534)	(883,504)	-	(857,887)	(84,031)	(3,741,956)
Additions	(187,452)	(85,131)	-	(81,059)	(23,843)	(377,485)
Disposals	32	-	-	46,261	5,961	52,254
As at 31 December 2022 and 1 January 2023	(2,103,954)	(968,635)	-	(892,685)	(101,913)	(4,067,187)
Additions	(185,463)	(58,096)	-	(57,466)	(18,792)	(319,817)
Disposals	-	-	-	15,117	3,444	18,561
As at 31 December 2023	(2,289,417)	(1,026,731)	-	(935,034)	(117,261)	(4,368,443)
Net book value						
As at 31 December 2022	2,366,246	245,695	2,286,759	204,280	2,906	5,105,886
As at 31 December 2023	2,199,298	205,419	2,311,001	325,279	426	5,041,423

The carrying amount of premises without title deeds as at 31 December 2023 was RMB174.72 million (31 December 2022: RMB359.69 million). The Group is still in the progress of applying the title deeds for the above premises. Management of the Group expected that there would be no significant costs in obtaining the title deeds.

22 PROPERTY AND EQUIPMENT (CONTINUED)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	31 December 2023	31 December 2022
Held in mainland China		
– Long term leases (over 50 years)	141,354	201,111
– Medium term leases (10 – 50 years)	1,979,924	2,009,096
– Short term leases (less than 10 years)	78,020	156,039
Total	2,199,298	2,366,246

23 DEFERRED TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	31 December 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	23,531,337	5,855,330	29,078,612	7,269,653
Change in fair value of financial assets at fair value through other comprehensive income	3,097,244	774,311	1,696,152	424,038
Supplementary retirement benefits	113,897	28,474	106,906	26,727
Change in fair value of derivative financial instruments	21,670	5,417	(64,195)	(16,049)
Change in fair value of financial assets at fair value through profit or loss	3,272,790	818,197	3,221,300	805,325
Right-of-use assets	(738,588)	(184,647)	(721,018)	(180,255)
Lease liabilities	758,670	189,668	721,018	180,255
Others	6,720,461	1,680,115	–	–
Net deferred income tax	36,777,481	9,166,865	34,038,775	8,509,694



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of RMB, unless otherwise stated)***23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)****(b) Analysed by movement**

	At 1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2023
Allowance for impairment losses	7,269,653	(1,414,323)	-	5,855,330
Change in fair value of financial assets at fair value through other comprehensive income	424,038	-	350,273	774,311
Supplementary retirement benefits	26,727	382	1,365	28,474
Change in fair value of derivative financial instruments	(16,049)	21,466	-	5,417
Change in fair value of financial assets at fair value through profit or loss	805,325	12,872	-	818,197
Right-of-use assets	(180,255)	(4,392)	-	(184,647)
Lease liabilities	180,255	9,413	-	189,668
Others	-	1,680,115	-	1,680,115
	<u>8,509,694</u>	<u>305,533</u>	<u>351,638</u>	<u>9,166,865</u>
Net deferred income tax	<u>8,509,694</u>	<u>305,533</u>	<u>351,638</u>	<u>9,166,865</u>

	At 1 January 2022	Amendments to IAS 12	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2022
Allowance for impairment losses	7,580,321	-	(310,668)	-	7,269,653
Change in fair value of financial assets at fair value through other comprehensive income	272,237	-	-	151,801	424,038
Supplementary retirement benefits	25,560	-	(237)	1,404	26,727
Change in fair value of derivative financial instruments	(610)	-	(15,439)	-	(16,049)
Change in fair value of financial assets at fair value through profit or loss	(588,348)	-	1,393,673	-	805,325
Right-of-use assets	-	(180,255)	-	-	(180,255)
Lease liabilities	-	180,255	-	-	180,255
	<u>7,289,160</u>	<u>-</u>	<u>1,067,329</u>	<u>153,205</u>	<u>8,509,694</u>
Net deferred income tax	<u>7,289,160</u>	<u>-</u>	<u>1,067,329</u>	<u>153,205</u>	<u>8,509,694</u>

24 OTHER ASSETS

	<i>Note</i>	31 December 2023	31 December 2022
Settlement and clearing accounts		1,106,233	3,912,943
Reposessed assets	24(a)	8,778,355	1,454,115
Interest receivable	24(b)	1,758,543	942,029
Right-of-use assets	24(c)	802,306	735,925
Intangible assets	24(d)	491,229	370,447
Land use rights		60,242	64,423
Prepayments		94,023	71,204
Others	24(e)	2,810,255	2,293,536
Total		<u>15,901,186</u>	<u>9,844,622</u>

(a) Reposessed assets

	31 December 2023	31 December 2022
Land use rights and buildings	8,790,515	1,465,878
Less: impairment allowance	<u>(12,160)</u>	<u>(11,763)</u>
Total	<u>8,778,355</u>	<u>1,454,115</u>

(b) Interest receivable

	31 December 2023	31 December 2022
Interest receivable arising from:		
– Loans and advances to customers	<u>1,758,543</u>	<u>942,029</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(c) Right-of-use assets**

	Leased properties and buildings
Cost	
As at 1 January 2022	1,123,209
Additions	<u>280,059</u>
As at 31 December 2022 and 1 January 2023	1,403,268
Additions	256,560
Disposals	<u>(324,545)</u>
As at 31 December 2023	<u><u>1,335,283</u></u>
Accumulated depreciation	
As at 1 January 2022	(444,580)
Additions	<u>(222,763)</u>
As at 31 December 2022 and 1 January 2023	(667,343)
Additions	(190,179)
Disposals	<u>324,545</u>
As at 31 December 2023	<u><u>(532,977)</u></u>
Carrying amount:	
As at 31 December 2022	<u><u>735,925</u></u>
As at 31 December 2023	<u><u>802,306</u></u>

24 OTHER ASSETS (CONTINUED)**(d) Intangible assets**

	2023	2022
Cost		
As at 1 January	604,226	497,869
Additions	178,904	106,357
As at 31 December	783,130	604,226
Accumulated amortisation		
As at 1 January	(233,779)	(194,572)
Additions	(58,122)	(39,207)
As at 31 December	(291,901)	(233,779)
Net value		
As at 1 January	370,447	303,297
As at 31 December	491,229	370,447

Intangible assets of the Group mainly represent computer software.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(e) Others**

	31 December 2023	31 December 2022
Receivable due from disposal of non-performing assets <i>(Note (i))</i>	653,754	653,754
Others	3,263,447	2,162,993
Subtotal	3,917,201	2,816,747
Less: impairment allowance	(1,106,946)	(523,211)
Total	2,810,255	2,293,536

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

25 BORROWINGS FROM CENTRAL BANK

	31 December 2023	31 December 2022
Borrowings <i>(Note (a))</i>	838,830	1,189,401
Add: interest payable	507	718
Total	839,337	1,190,119

Note:

- (a) Borrowings from central bank mainly include re-lending operations.

26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Deposits in mainland China		
– Banks	32,086,094	18,184,065
– Other financial institutions	<u>38,801,970</u>	<u>34,204,061</u>
Subtotal	70,888,064	52,388,126
Add: interest payable	<u>344,970</u>	<u>328,421</u>
Total	<u><u>71,233,034</u></u>	<u><u>52,716,547</u></u>

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2023	31 December 2022
Placements in mainland China		
– Banks	17,338,475	2,384,830
– Other financial institutions	<u>550,000</u>	<u>450,000</u>
Subtotal	17,888,475	2,834,830
Add: interest payable	<u>82,384</u>	<u>3,866</u>
Total	<u><u>17,970,859</u></u>	<u><u>2,838,696</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS****(a) Analysed by type and location of counterparty**

	31 December 2023	31 December 2022
In mainland China		
– Banks	99,540,337	87,116,163
– Other financial institutions	7,166,544	41,454,007
Subtotal	106,706,881	128,570,170
Add: interest payable	194,329	91,439
Total	106,901,210	128,661,609

(b) Analysed by type of security held

	31 December 2023	31 December 2022
Debt securities sold under repurchase agreements	49,466,535	55,961,375
Bills sold under repurchase agreements	57,240,346	72,608,795
Subtotal	106,706,881	128,570,170
Add: interest payable	194,329	91,439
Total	106,901,210	128,661,609

29 DEPOSITS FROM CUSTOMERS

	31 December 2023	31 December 2022
Demand deposits		
– Corporate deposits	114,540,917	153,374,794
– Personal deposits	<u>36,895,430</u>	<u>45,902,116</u>
Subtotal	<u>151,436,347</u>	<u>199,276,910</u>
Time deposits		
– Corporate deposits	114,066,954	90,995,460
– Personal deposits	<u>481,908,473</u>	<u>456,761,908</u>
Subtotal	<u>595,975,427</u>	<u>547,757,368</u>
Pledged deposits		
– Acceptances	8,093,396	18,778,793
– Letters of credit	1,890,866	1,354,395
– Letters of guarantees	452,936	1,771,874
– Others	<u>1,029,816</u>	<u>691,906</u>
Subtotal	<u>11,467,014</u>	<u>22,596,968</u>
Inward and outward remittances	<u>2,275,765</u>	<u>1,934,855</u>
Total deposits from customers at amortised cost	761,154,553	771,566,101
Add: interest payable	<u>18,812,352</u>	<u>17,186,234</u>
Total	<u>779,966,905</u>	<u>788,752,335</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

30 DEBT SECURITIES ISSUED

	31 December 2023	31 December 2022
Tier two capital fixed rate debts maturing in December 2032 (Note(a))	4,999,057	4,999,057
Certificates of interbank deposit (Note(b))	<u>11,835,200</u>	<u>11,980,811</u>
Total	<u><u>16,834,257</u></u>	<u><u>16,979,868</u></u>

Notes:

- (a) Tier two capital fixed rate debts at the nominal amount of RMB5.0 billion with a term of ten years were issued on 27 December 2022. The coupon rate is 4.80%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (b) As at 31 December 2023, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB11,789 million (31 December 2022: RMB11,841 million).

31 OTHER LIABILITIES

	<i>Note</i>	31 December 2023	31 December 2022
Lease liabilities	31(a)	758,670	677,074
Expected credit loss of credit commitment	31(b)	287,252	599,123
Taxes payable	31(c)	615,077	698,651
Accrued staff cost	31(d)	369,266	215,639
Payment and collection clearance accounts		2,533,859	2,886,624
Dividend payable		107,024	107,024
Dormant accounts		111,471	79,776
Others		1,402,916	652,147
		<u>6,185,535</u>	<u>5,916,058</u>
Total		<u>6,185,535</u>	<u>5,916,058</u>

(a) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	31 December 2023	31 December 2022
Within one year	183,839	193,658
Between one year and two years	159,856	168,771
Between two years and three years	136,758	135,543
Between three years and five years	192,596	212,448
More than five years	173,792	244,832
	<u>846,841</u>	<u>955,252</u>
Contractual undiscounted cash flows of lease liabilities	<u>846,841</u>	<u>955,252</u>
	<u>758,670</u>	<u>677,074</u>
Ending balance of lease liabilities	<u>758,670</u>	<u>677,074</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(b) Expected credit loss of credit commitment**

	Year ended 31 December 2023			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	533,879	40,471	24,773	599,123
Transferred:				
– to ECL over the next 12 months	565	(134)	(431)	–
– to lifetime ECL – not credit-impaired	(50)	1,884	(1,834)	–
Net release for the year	<u>(250,670)</u>	<u>(38,693)</u>	<u>(22,508)</u>	<u>(311,871)</u>
As at 31 December	<u>283,724</u>	<u>3,528</u>	<u>–</u>	<u>287,252</u>

	Year ended 31 December 2022			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January	540,322	10,495	53,951	604,768
Transferred:				
– to ECL over the next 12 months	9,217	(4,510)	(4,707)	–
– to lifetime ECL – not credit-impaired	(24,892)	53,442	(28,550)	–
– to lifetime ECL – credit-impaired	–	(41,242)	41,242	–
Net charge/(release) for the year	<u>9,232</u>	<u>22,286</u>	<u>(37,163)</u>	<u>(5,645)</u>
As at 31 December	<u>533,879</u>	<u>40,471</u>	<u>24,773</u>	<u>599,123</u>

31 OTHER LIABILITIES (CONTINUED)**(c) Taxes payable**

	31 December 2023	31 December 2022
Value-added tax and surcharges payable	547,975	620,078
Others	<u>67,102</u>	<u>78,573</u>
Total	<u><u>615,077</u></u>	<u><u>698,651</u></u>

(d) Accrued staff cost

	Note	31 December 2023	31 December 2022
Salary, bonuses and allowances payable		214,193	67,185
Supplementary retirement benefits payable	31(d)(i)	113,897	106,906
Housing allowances payable		30,299	30,355
Pension and annuity payable	31(d)(ii)	4,334	4,547
Other social insurance payable		2,760	2,746
Others		<u>3,783</u>	<u>3,900</u>
Total		<u><u>369,266</u></u>	<u><u>215,639</u></u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

31 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the supplementary retirement benefits were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.

(1) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2023	31 December 2022
Present value of early retirement plan	6,627	10,998
Present value of supplementary retirement plan	107,270	95,908
Total	113,897	106,906

(2) The movements of supplementary retirement benefits of the Group are as follows:

	2023	2022
As at 1 January	106,906	102,248
Benefits paid during the year	(4,597)	(5,975)
Defined benefit cost recognised in profit or loss	6,128	5,019
Defined benefit cost recognised in other comprehensive income	5,460	5,614
As at 31 December	113,897	106,906

31 OTHER LIABILITIES (CONTINUED)**(d) Accrued staff cost (Continued)****(i) Supplementary retirement benefits (Continued)***Supplementary retirement plan (Continued)*

(3) Principal actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2023	31 December 2022
Discount rate	2.25%	2.50%
Mortality	<i>Note</i>	<i>Note</i>
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	4.00%	4.00%

Supplementary retirement plan	31 December 2023	31 December 2022
Discount rate	2.75%	3.00%
Mortality	<i>Note</i>	<i>Note</i>
Turnover rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

Note:

(l) As at 31 December 2023 and 2022, Mortality assumptions are based on China Life Insurance Annuity Table (2010–2013) in China Life Insurance Mortality Table compiled by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(d) Accrued staff cost (Continued)****(i) Supplementary retirement benefits (Continued)***Supplementary retirement plan (Continued)*

- (4) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal:

	31 December 2023 <i>Increase/(decrease)</i>	31 December 2022 <i>Increase/(decrease)</i>
Change in present value of the defined benefit plan obligation		
Up 25 bps in discount rate	(5,062)	(4,468)
Down 25 bps in discount rate	5,434	4,789

(ii) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the basic social pension schemes for employees arranged by local government labour and social security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the relevant government authorities.

The Group also provides an annuity plan to eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.

The contributions of the above social pension schemes and annuity plan are managed and supervised by the relevant authorities or the qualified trustee in China, and the Group is not allowed to confiscate any relevant contributions. Therefore, the Group has no forfeited contributions available to reduce the existing level of contributions.

32 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

	Note	Attributable to equity shareholders of the Bank							Total	
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability		Retained earnings
Balance at 1 January 2023		8,796,680	26,931,360	7,411,839	14,748,898	(1,274,532)	1,239,049	(28,848)	22,771,783	80,596,229
Profit for the year		-	-	-	-	-	-	-	699,777	699,777
Other comprehensive income		-	-	-	-	(1,071,454)	(1,127,363)	(4,095)	-	(2,202,912)
Total comprehensive income		-	-	-	-	(1,071,454)	(1,127,363)	(4,095)	699,777	(1,503,135)
Appropriation of profit:										
– Appropriation to surplus reserve	35	-	-	69,978	-	-	-	-	(69,978)	-
Subtotal		-	-	69,978	-	-	-	-	(69,978)	-
Disposal of equity investment at fair value through other comprehensive income:		-	-	-	-	(92)	-	-	92	-
Balance at 31 December 2023		8,796,680	26,931,360	7,481,817	14,748,898	(2,346,078)	111,686	(32,943)	23,401,674	79,093,094



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

32 MOVEMENT IN COMPONENTS OF EQUITY (CONTINUED)

	Note	Attributable to equity shareholders of the Bank								Total
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	
Balance at 1 January 2022		8,796,680	26,931,360	7,319,347	13,971,985	(816,706)	862,128	(24,638)	22,716,263	79,756,419
Profit for the year		-	-	-	-	-	-	-	924,925	924,925
Other comprehensive income		-	-	-	-	(457,826)	376,921	(4,210)	-	(85,115)
Total comprehensive income		-	-	-	-	(457,826)	376,921	(4,210)	924,925	839,810
Appropriation of profit:										
– Appropriation to surplus reserve	35	-	-	92,492	-	-	-	-	(92,492)	-
– Appropriation to general reserve	35	-	-	-	776,913	-	-	-	(776,913)	-
Subtotal		-	-	92,492	776,913	-	-	-	(869,405)	-
Balance at 31 December 2022		8,796,680	26,931,360	7,411,839	14,748,898	(1,274,532)	1,239,049	(28,848)	22,771,783	80,596,229

33 SHARE CAPITAL

Issued share capital

	31 December 2023	31 December 2022
Number of shares, issued and fully paid at par value (<i>in thousands</i>)	8,796,680	8,796,680

34 RESERVES

(a) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% from its net profit to statutory surplus reserve fund, according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”), after offsetting prior year’s accumulated loss. Until the statutory surplus reserve accumulated amount reaches 50% of its registered capital.

The Bank also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders meeting.

(c) General reserve

From 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)” issued by the MOF on 30 March 2012, the Group is required to set aside a general reserve through its net profit for the profit distribution which should not be lower than 1.5% of the ending gross risk-bearing assets balance by 31 December 2023.

(d) Fair value reserve

	2023	2022
As at 1 January	(1,274,532)	(816,706)
Changes in fair value recognised in fair value reserve	(1,024,842)	(578,268)
Transfer to profit or loss upon disposal	(396,885)	(31,829)
Transfer to retained earnings upon disposal	(92)	–
Less: income tax	350,273	152,271
Subtotal	(1,071,546)	(457,826)
As at 31 December	(2,346,078)	(1,274,532)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

34 RESERVES (CONTINUED)

(e) Provision reserve

	2023	2022
As at 1 January	1,239,049	862,128
Changes in fair value recognised in provision reserve	(1,503,149)	502,561
Less: income tax	375,786	(125,640)
As at 31 December	<u>111,686</u>	<u>1,239,049</u>

(f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

(g) Retained earnings

As at 31 December 2023, the retained earnings included the statutory surplus reserve of RMB26.08 million (31 December 2022: RMB19.66 million), appropriated by the subsidiaries and attributable to the Bank, of which RMB6.42 million (2022: RMB5.95 million) was appropriated by the subsidiaries for the year then ended. The statutory surplus reserve in retained earnings which is contributed by subsidiaries cannot be further distributed.

35 PROFIT DISTRIBUTION

(i) In accordance with the resolution of the Bank's Board of directors meeting on 28 March 2024, the proposed profit distribution plan for the year ended 31 December 2023 is as follows:

- Appropriate RMB69.98 million to the statutory surplus reserve fund;

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(ii) In accordance with the resolution of the Bank's 2022 Annual General Meeting held on 2 June 2023, the proposed profit distribution plan for the year ended 31 December 2022 is as follows:

- Appropriate RMB92.49 million to the statutory surplus reserve fund;
- Appropriate RMB776.91 million to the general reserve

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	31 December 2023	31 December 2022
Cash on hand	1,108,497	786,033
Deposits with central bank other than restricted deposits	22,261,823	16,230,861
Deposits with banks and other financial institutions with original maturity of three months or less	7,470,620	7,526,883
Placements with banks and other financial institutions with original maturity of three months or less	1,829,000	4,290,000
Financial assets held under resale agreements with original maturity of three months or less	3,100,000	9,377,240
Total	35,769,940	38,211,017

(b) Reconciliation of liabilities arising from financing activities:

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2023	16,979,868	–	16,979,868
Changes from financing cash flows:			
Net proceeds from new debt securities issued	42,239,694	–	42,239,694
Repayment of debt securities issued	(42,385,305)	–	(42,385,305)
Interest paid on debt securities issued	–	(549,694)	(549,694)
Total changes from financing cash flows	(145,611)	(549,694)	(695,305)
Other change:			
Interest expenses (Note 3)	–	549,694	549,694
Total other change	–	549,694	549,694
As at 31 December 2023	16,834,257	–	16,834,257



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of RMB, unless otherwise stated)***36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)****(b) Reconciliation of liabilities arising from financing activities: (Continued)**

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2022	8,417,309	10,122	8,427,431
Changes from financing cash flows:			
Net proceeds from new debt securities issued	42,212,087	–	42,212,087
Repayment of debt securities issued	(33,649,528)	–	(33,649,528)
Interest paid on debt securities issued	–	(536,409)	(536,409)
Total changes from financing cash flows	8,562,559	(536,409)	8,026,150
Other change:			
Interest expenses (Note 3)	–	526,287	526,287
Total other change	–	526,287	526,287
As at 31 December 2022	16,979,868	–	16,979,868

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

Company Name	Major shareholders	31 December 2023	Major shareholders	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd	Y	20.79%	Y	20.79%
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	Y	5.45%	Y	5.45%
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	Y	2.16%	Y	2.16%

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(a) Relationship of related parties (Continued)****(i) Major shareholders (Continued)***Main condition of major shareholders:*

Company Name	Registered Address	Main business	Company nature	Legal Representative
Shenyang Shengjing Financial Holdings Investment Co., Ltd	Shenyang	Industrial investment; investment management	Limited Liability Company	Xv Dong
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	Shenyang	Management and operation of assets	Limited Liability Company	Wang Jun
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	Shenyang	General freight Metal materials, electromechanical equipment	Limited Liability Company	Liu Xinfu

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)**(a) Relationship of related parties (Continued)****(i) Major shareholders (Continued)***Registered capital of major shareholders:*

Company Name	Currency	31 December 2023	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd	RMB	21,889,000	21,053,000
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	RMB	10,000,000	10,000,000
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	RMB	200,000	200,000

(ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 31(d)).

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances**

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions between the Bank and major shareholders**(1) Deposits from customers**

	31 December 2023	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd	1,132,072	1,105,248
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	3,585	6,168
Shenyang Zhongyou Tianbao (Group) Material Equipment Co., Ltd.	4	4
Total	<u>1,135,661</u>	<u>1,111,420</u>

(2) Guarantees received

	31 December 2023	31 December 2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd	–	47,656
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	1,264,525	1,184,700
Total	<u>1,264,525</u>	<u>1,232,356</u>

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)**(b) Related party transactions and balances (Continued)****(i) Transactions between the Bank and major shareholders (Continued)****(3) Interest expense**

	2023	2022
Shenyang Shengjing Financial Holdings Investment Co., Ltd	32,830	5,966
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	—	59
Total	<u>32,830</u>	<u>6,025</u>

(ii) Transactions between the Bank and subsidiaries

	31 December 2023	31 December 2022
Balances at the end of the year:		
Deposits from banks and other financial institutions	1,737,741	1,177,737
Placements with banks and other financial institutions	4,638,981	4,260,000
	<u>2023</u>	<u>2022</u>
Transactions during the year:		
Interest income	137,673	139,110
Interest expense	11,441	44,854

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances (Continued)****(iii) Transactions between the Bank and other related parties**

	31 December 2023	31 December 2022
Balances at the end of the year:		
Financial investments	–	9,959,538
Loans and advances to customers	1,394,649	10,517,647
Deposits from customers	873,523	3,980,067
Guarantees received	464,536	13,692,340
	2023	2022
Transactions during the year:		
Interest income	76,961	1,248,109
Interest expense	9,428	9,338

(c) Key management personnel**(i) Key management personnel remuneration**

Key management personnel refers to those who have authority and are responsible for directly or indirectly planning, command and control the Group's operating. Including members of Board of Directors, Board of Supervisors and Senior managements.

	2023	2022
Salaries and other emoluments	22,659	23,994
Discretionary bonuses	12,888	18,360
Contributions to pension schemes	1,798	2,146
Total	<u>37,345</u>	<u>44,500</u>

(ii) Loans and advances to directors, supervisors and officers

As at 31 December 2023 and 2022, there is no loans and advances to directors, supervisors of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance. As at 31 December 2023 and 2022, loans and advances to officers are RMB1.81 million and RMB0.29 million respectively.

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Transactions between the Bank and key management personnel

	31 December 2023	31 December 2022
Balances at the end of the year:		
Deposits from customers	21,131	26,857
Loans and advances to customers	1,808	285
	2023	2022
Transactions during the year:		
Interest income	93	18
Interest expense	464	155

38 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, wealth management services, remittance and settlement services, and collection and payment agency services.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Treasury business

This segment covers the Group's treasury business including inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities.

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined regarding market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

38 SEGMENT REPORTING (CONTINUED)**(a) Business Segment (Continued)****Others (Continued)**

	2023				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	18,769,198	(12,111,444)	2,208,487	-	8,866,241
Internal net interest (expense)/income	(12,215,842)	15,002,398	(2,786,556)	-	-
Net interest income/(expense)	6,553,356	2,890,954	(578,069)	-	8,866,241
Net fee and commission income/(expense)	301,986	(141,902)	(13,561)	-	146,523
Net trading losses	-	-	(564,610)	-	(564,610)
Net gains arising from investments	7,149	-	1,513,245	-	1,520,394
Other operating income	10,546	90	-	60,641	71,277
Operating income	6,873,037	2,749,142	357,005	60,641	10,039,825
Operating expenses	(3,815,198)	(1,971,097)	(169,214)	(44,357)	(5,999,866)
Impairment losses on assets	(239,507)	(1,355,576)	(1,524,511)	-	(3,119,594)
Profit/(losses) before tax	<u>2,818,332</u>	<u>(577,531)</u>	<u>(1,336,720)</u>	<u>16,284</u>	<u>920,365</u>
Other segment information					
- Depreciation and amortisation	<u>364,618</u>	<u>196,612</u>	<u>11,069</u>	<u>-</u>	<u>572,299</u>
- Capital expenditure	<u>440,497</u>	<u>237,527</u>	<u>13,373</u>	<u>-</u>	<u>691,397</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(a) Business Segment (Continued)*****Others (Continued)***

	Year ended 31 December 2023				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	477,089,371	125,639,695	468,156,775	–	1,070,885,841
Deferred tax assets					<u>9,166,865</u>
Total assets					<u><u>1,080,052,706</u></u>
Segment liabilities/total liabilities	<u>249,975,670</u>	<u>535,911,154</u>	<u>214,163,848</u>	<u>107,171</u>	<u>1,000,157,843</u>
Credit commitments	<u>47,392,814</u>	<u>22,376,738</u>	<u>–</u>	<u>–</u>	<u>69,769,552</u>

38 SEGMENT REPORTING (CONTINUED)**(a) Business Segment (Continued)****Others (Continued)**

	2022				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	21,078,687	(12,260,648)	4,035,645	–	12,853,684
Internal net interest (expense)/income	<u>(9,481,804)</u>	<u>15,807,749</u>	<u>(6,325,945)</u>	<u>–</u>	<u>–</u>
Net interest income/(expense)	11,596,883	3,547,101	(2,290,300)	–	12,853,684
Net fee and commission income/(expense)	(237,835)	408,485	93,622	–	264,272
Net trading gains	–	–	171,359	–	171,359
Net gains arising from investments	–	–	2,814,803	–	2,814,803
Other operating income	<u>6,942</u>	<u>99</u>	<u>–</u>	<u>41,952</u>	<u>48,993</u>
Operating income	11,365,990	3,955,685	789,484	41,952	16,153,111
Operating expenses	(3,477,213)	(2,081,473)	(219,008)	(12,546)	(5,790,240)
Impairment losses on assets	<u>(5,638,263)</u>	<u>(118,505)</u>	<u>(3,414,854)</u>	<u>–</u>	<u>(9,171,622)</u>
Profit/(losses) before tax	<u>2,250,514</u>	<u>1,755,707</u>	<u>(2,844,378)</u>	<u>29,406</u>	<u>1,191,249</u>
Other segment information					
– Depreciation and amortisation	<u>352,293</u>	<u>221,433</u>	<u>16,741</u>	<u>–</u>	<u>590,467</u>
– Capital expenditure	<u>405,315</u>	<u>254,760</u>	<u>19,260</u>	<u>–</u>	<u>679,335</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(a) Business Segment (Continued)*****Others (Continued)***

	Year ended 31 December 2022				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	563,778,211	72,792,821	370,146,509	67,185,874	1,073,903,415
Deferred tax assets					<u>8,509,694</u>
Total assets					<u><u>1,082,413,109</u></u>
Segment liabilities/total liabilities	<u>280,257,958</u>	<u>517,346,590</u>	<u>200,519,534</u>	<u>2,851,932</u>	<u>1,000,976,014</u>
Credit commitments	<u>78,723,885</u>	<u>19,157,921</u>	<u>–</u>	<u>–</u>	<u>97,881,806</u>

(b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

38 SEGMENT REPORTING (CONTINUED)**(b) Geographical information (Continued)**

	Operating income	
	2023	2022
North east China	9,406,292	15,604,533
North China	618,819	219,340
Others	14,714	329,238
Total	10,039,825	16,153,111

	Non-current assets (Note i)	
	31 December 2023	31 December 2022
North east China	6,214,361	5,562,567
North China	161,645	186,339
Others	19,193	19,182
Total	6,395,199	5,768,088

Note:

- (i) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through Risk Control and Consumer Rights Protection Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control and Consumer Rights Protection Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risks in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department and the Credit Approval Department are responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department and the Capital Operation Center carry out credit businesses according to the Group's risk management policies and procedures.

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business

The Group's treasury business is exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

Measurement of expected credit loss

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of the next 12-months ECL, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

(1) Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition; and
- The debtor is more than 30 days past due on its contractual payment.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(1) Significant increase in credit risk (Continued)

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(2) *Definition of credit-impaired financial asset*

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payment;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of PD, exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan.
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. Loss given default varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future years. The results of calculation for each year are then discounted to the reporting date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime probability of default is to deduce the marginal probability of default by using supervisory formula or conditional probability formula.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different due to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method and obtained from multiplying the nominal amount of the off-balance sheet items on the reporting date by the credit conversion factor (CCF).
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affect post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Forward-looking information included in the expected credit loss model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss (Continued)

(3) Notes to the parameters, assumptions and valuation techniques (Continued)

- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 41(a).

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Loans and advances to customers

Loans and advances to customers were analysed as follows as at 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Gross balance of loans and advances to customers		
– ECL over the next 12 months	432,121,287	552,431,568
– Lifetime ECL – not credit-impaired loans	29,783,451	39,195,942
– Lifetime ECL – credit-impaired loans	15,972,061	21,734,819
	<u>477,876,799</u>	<u>613,362,329</u>
Add: Interest receivable		
– ECL over the next 12 months	36,170,821	40,615,613
– Lifetime ECL – not credit-impaired loans	2,521,486	3,996,648
	<u>38,692,307</u>	<u>44,612,261</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(5,247,512)	(7,183,023)
– Lifetime ECL – not credit-impaired loans	(6,248,958)	(7,843,415)
– Lifetime ECL – credit-impaired loans	(8,783,132)	(12,348,735)
	<u>(20,279,602)</u>	<u>(27,375,173)</u>
Net balance		
– ECL over the next 12 months	463,044,596	585,864,158
– Lifetime ECL – not credit-impaired loans	26,055,979	35,349,175
– Lifetime ECL – credit-impaired loans	7,188,929	9,386,084
	<u>496,289,504</u>	<u>630,599,417</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)****(ii) Loans and advances to customers (Continued)**

(1) ECL over the next 12 months loans

	31 December 2023	31 December 2022
Corporate loans and advances	327,217,549	456,617,448
Personal loans and advances	104,903,738	95,814,120
Total gross balance	432,121,287	552,431,568

(2) Lifetime ECL – not credit-impaired loans

	Not overdue	31 December 2023		Total
		Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	25,445,624	2,909,921	753,729	29,109,274
Personal loans and advances	5,227	62,435	606,515	674,177
Total gross balance	25,450,851	2,972,356	1,360,244	29,783,451

39 RISK MANAGEMENT (CONTINUED)**(a) Credit risk (Continued)****(ii) Loans and advances to customers (Continued)**

(2) Lifetime ECL – not credit-impaired loans (Continued)

	Not overdue	31 December 2022		Total
		Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	28,946,583	475,595	9,322,791	38,744,969
Personal loans and advances	<u>38,267</u>	<u>49,911</u>	<u>362,795</u>	<u>450,973</u>
Total gross balance	<u><u>28,984,850</u></u>	<u><u>525,506</u></u>	<u><u>9,685,586</u></u>	<u><u>39,195,942</u></u>

Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired was analysed as follows:

	31 December 2023	31 December 2022
Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired	<u><u>15,212,612</u></u>	<u><u>25,508,333</u></u>

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)****(ii) Loans and advances to customers (Continued)**

(3) Lifetime ECL – credit-impaired loans

	31 December 2023	31 December 2022
Corporate loans and advances	13,000,300	19,531,903
Personal loans and advances	2,971,761	2,202,916
Total gross balance	15,972,061	21,734,819
Of total loans and advances	3.34%	3.54%
Allowance for impairment losses		
– Corporate loans and advances	7,131,985	11,339,410
– Personal loans and advances	1,651,147	1,009,325
Total	8,783,132	12,348,735
Fair value of collateral held against credit-impaired loans and advances	21,222,785	20,692,198

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2023	31 December 2022
Carrying amount		
ECL over the next 12 months		
– grade A to AAA	15,589,619	16,072,561
– grade B to BBB	4,330,000	950,000
– unrated (<i>Note (1)</i>)	–	4,853,016
Lifetime ECL- credit-impaired		
– grade C to CCC	300,000	1,446,777
	<u>20,219,619</u>	<u>23,322,354</u>
Add: interest receivable		
– ECL over the next 12 months	<u>120,629</u>	<u>51,680</u>
Less: provision for impairment loss		
– ECL over the next 12 months	(7,163)	(5,084)
– Lifetime ECL – credit-impaired	<u>(135,000)</u>	<u>(551,372)</u>
	<u>(142,163)</u>	<u>(556,456)</u>
Net balance		
– ECL over the next 12 months	20,033,085	21,922,173
– Lifetime ECL – credit-impaired	<u>165,000</u>	<u>895,405</u>
	<u>20,198,085</u>	<u>22,817,578</u>

Note:

(1) All unrated carrying amount are pledged by government debt securities or policy banks debt securities.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)****(iv) Debt securities investments**

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	31 December 2023	31 December 2022
Gross balance of debt securities investments		
– ECL over the next 12 months		
– Government	64,761,683	46,846,840
– Policy banks	52,520,044	44,842,229
– Banks and other financial institutions	2,979,991	9,228,460
– Corporate	178,546,671	4,702,358
– Lifetime ECL – not credit-impaired		
– Corporate	2,670,670	–
– Lifetime ECL – credit-impaired		
– Corporate	60,000	2,901,918
	<u>301,539,059</u>	<u>108,521,805</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(27,457)	(10,968)
– Lifetime ECL – not credit-impaired	(588,862)	–
– Lifetime ECL – credit-impaired	(23,850)	(1,333,849)
	<u>(640,169)</u>	<u>(1,344,817)</u>
Net balance		
– ECL over the next 12 months	298,780,932	105,608,919
– Lifetime ECL – not credit-impaired	2,081,808	–
– Lifetime ECL – credit-impaired	36,150	1,568,069
	<u>300,898,890</u>	<u>107,176,988</u>

As at 31 December 2023, debt securities investments included a special-purpose notes of approximately RMB176.0 billion issued by Liaoning Asset Management Co., Ltd. (note 45).

39 RISK MANAGEMENT (CONTINUED)**(a) Credit risk (Continued)****(v) Financial assets measured at amortised cost**

	31 December 2023	31 December 2022
Gross balance of financial assets measured at amortised cost		
– ECL over the next 12 months	242,072,945	133,220,013
– Lifetime ECL – not credit-impaired	12,902,931	10,066,869
– Lifetime ECL – credit-impaired	11,198,284	12,097,410
	<u>266,174,160</u>	<u>155,384,292</u>
Add: Interest receivable		
– ECL over the next 12 months	4,505,481	6,317,030
	<u>4,505,481</u>	<u>6,317,030</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(308,878)	(867,371)
– Lifetime ECL – not credit-impaired	(2,136,428)	(1,091,089)
– Lifetime ECL – credit-impaired	(3,544,019)	(3,899,224)
	<u>(5,989,325)</u>	<u>(5,857,684)</u>
Net balance		
– ECL over the next 12 months	246,269,548	138,669,672
– Lifetime ECL – not credit-impaired	10,766,503	8,975,780
– Lifetime ECL – credit-impaired	7,654,265	8,198,186
	<u>264,690,316</u>	<u>155,843,638</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's inside and outside the financial statements activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to identify, measure, monitor and control market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control and Consumer Interest Protection Committee to supervise the market risk management conducted by the senior management. The Risk Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

(i) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December 2023					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	76,097,764	1,135,666	74,962,098	-	-	-
Deposits with banks and other financial institutions	7,506,953	296	7,506,657	-	-	-
Placements with banks and other financial institutions	9,591,254	284,915	1,828,530	7,477,809	-	-
Financial assets held under resale agreements	3,099,878	417	3,099,461	-	-	-
Loans and advances to customers (Note (i))	496,289,504	38,692,307	168,366,584	159,874,387	67,442,709	61,913,517
Financial investments (Note (ii))	457,161,176	21,476,767	113,582,120	10,280,033	41,955,875	269,866,381
Others	30,306,177	30,109,473	73,621	120,380	2,703	-
Total assets	1,080,052,706	91,699,841	369,419,071	177,752,609	109,401,287	331,779,898



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of RMB, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(b) Market risk (Continued)****(i) Interest rate risk (Continued)****(1) Repricing risk (Continued)**

	31 December 2023					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Liabilities						
Borrowings from central bank	(839,337)	(3,943)	(168,078)	(667,316)	-	-
Deposits from banks and other financial institutions	(71,233,034)	(344,971)	(52,591,844)	(18,129,545)	(166,674)	-
Placements from banks and other financial institutions	(17,970,859)	(82,384)	(9,369,350)	(8,519,125)	-	-
Financial assets sold under repurchase agreements	(106,901,210)	(297,623)	(60,542,904)	(46,060,683)	-	-
Deposits from customers	(779,966,905)	(18,812,351)	(271,811,484)	(130,309,338)	(343,298,008)	(15,735,724)
Debt securities issued	(16,834,257)	-	(10,204,913)	(1,630,287)	-	(4,999,057)
Others	(6,412,241)	(5,906,989)	(187,507)	(246,419)	(71,326)	-
Total liabilities	(1,000,157,843)	(25,448,261)	(404,876,080)	(205,562,713)	(343,536,008)	(20,734,781)
Asset-liability gap	79,894,863	66,251,580	(35,457,009)	(27,810,104)	(234,134,721)	311,045,117

39 RISK MANAGEMENT (CONTINUED)**(b) Market risk (Continued)****(i) Interest rate risk (Continued)****(1) Repricing risk (Continued)**

	31 December 2022					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	75,258,358	816,008	74,442,350	-	-	-
Deposits with banks and other financial institutions	7,207,614	3,195	7,204,419	-	-	-
Placements with banks and other financial institutions	6,232,027	196,072	4,288,384	1,747,571	-	-
Financial assets held under resale agreements	9,377,937	2,413	9,375,524	-	-	-
Loans and advances to customers <i>(Note (i))</i>	630,599,417	16,444,699	249,532,241	186,806,221	149,274,710	28,541,546
Financial investments <i>(Note (iii))</i>	329,611,560	10,521,157	151,782,720	40,934,461	31,668,214	94,705,008
Others	24,126,196	23,460,201	361,536	236,755	65,867	1,837
Total assets	1,082,413,109	51,443,745	496,987,174	229,725,008	181,008,791	123,248,391



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of RMB, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(b) Market risk (Continued)****(i) Interest rate risk (Continued)****(1) Repricing risk (Continued)**

	31 December 2022					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Liabilities						
Borrowings from central bank	(1,190,119)	(3,571)	(207,353)	(979,195)	-	-
Deposits from banks and other financial institutions	(52,716,547)	(328,421)	(38,898,126)	(13,490,000)	-	-
Placements from banks and other financial institutions	(2,838,696)	(3,866)	(1,060,000)	(1,774,830)	-	-
Financial assets sold under repurchase agreements	(128,661,609)	(461,877)	(87,247,691)	(40,952,041)	-	-
Deposits from customers	(788,752,335)	(17,186,234)	(338,390,870)	(160,442,794)	(271,898,176)	(834,261)
Debt securities issued	(16,979,868)	-	(4,455,496)	(7,525,315)	-	(4,999,057)
Others	(9,836,840)	(6,341,417)	(482,409)	(2,876,852)	(67,051)	(69,111)
Total liabilities	(1,000,976,014)	(24,325,386)	(470,741,945)	(228,041,027)	(271,965,227)	(5,902,429)
Asset-liability gap	81,437,095	27,118,359	26,245,229	1,683,981	(90,956,436)	117,345,962

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 31 December 2023 included overdue amounts (net of provision for impairment losses) of RMB17,229 million (31 December 2022: RMB16,148 million).
- (ii) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

39 RISK MANAGEMENT (CONTINUED)**(b) Market risk (Continued)****(i) Interest rate risk (Continued)****(2) Interest rate sensitivity analysis**

	31 December 2023 Increase/(decrease)	31 December 2022 Increase/(decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	(1,258,165)	344,475
Down 100 bps parallel shift in yield curves	1,258,165	(344,475)
	31 December 2023 Increase/(decrease)	31 December 2022 Increase/(decrease)
Change in equity		
Up 100 bps parallel shift in yield curves	(2,058,510)	798,705
Down 100 bps parallel shift in yield curves	2,081,405	(710,807)

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(2) Interest rate sensitivity analysis (Continued)

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies, setting limits on synthetic positions in the settlement and sale of foreign exchange, and setting country risk quota, etc.

The Group's currency exposures as at the end of the reporting period are as follows:

	31 December 2023			
	RMB (RMB Equivalent)	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	75,770,766	299,232	27,766	76,097,764
Deposits with banks and other financial institutions	5,000,617	1,385,677	1,120,659	7,506,953
Placements with banks and other financial institutions	9,591,254	–	–	9,591,254
Financial assets held under resale agreements	3,099,878	–	–	3,099,878
Loans and advances to customers	491,496,169	4,793,335	–	496,289,504
Financial investments (Note (i))	438,333,926	18,827,250	–	457,161,176
Others	30,125,898	180,279	–	30,306,177
Total assets	1,053,418,508	25,485,773	1,148,425	1,080,052,706
Liabilities				
Borrowings from central bank	(839,337)	–	–	(839,337)
Deposits from banks and other financial institutions	(71,233,034)	–	–	(71,233,034)
Placements from banks and other financial institutions	(17,970,859)	–	–	(17,970,859)
Financial assets sold under repurchase agreements	(93,554,654)	(13,346,556)	–	(106,901,210)
Deposits from customers	(779,001,683)	(844,489)	(120,733)	(779,966,905)
Debt securities issued	(16,834,257)	–	–	(16,834,257)
Others	(5,930,010)	(472,887)	(9,344)	(6,412,241)
Total liabilities	(985,363,834)	(14,663,932)	(130,077)	(1,000,157,843)
Net position	68,054,674	10,821,841	1,018,348	79,894,863
Off-balance sheet credit commitments	69,282,860	485,598	1,094	69,769,552



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2022			
	RMB (RMB Equivalent)	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	75,125,302	113,445	19,611	75,258,358
Deposits with banks and other financial institutions	5,353,962	901,041	952,611	7,207,614
Placements with banks and other financial institutions	5,877,811	354,216	–	6,232,027
Financial assets held under resale agreements	9,377,937	–	–	9,377,937
Loans and advances to customers	628,984,473	1,424,621	190,323	630,599,417
Financial investments (Note (i))	328,409,279	1,202,281	–	329,611,560
Others	21,013,356	931,695	2,181,145	24,126,196
Total assets	1,074,142,120	4,927,299	3,343,690	1,082,413,109
Liabilities				
Borrowings from central bank	(1,190,119)	–	–	(1,190,119)
Deposits from banks and other financial institutions	(52,716,547)	–	–	(52,716,547)
Placements from banks and other financial institutions	(2,838,696)	–	–	(2,838,696)
Financial assets sold under repurchase agreements	(128,661,609)	–	–	(128,661,609)
Deposits from customers	(787,633,818)	(930,114)	(188,403)	(788,752,335)
Debt securities issued	(16,979,868)	–	–	(16,979,868)
Others	(3,090,889)	(3,614,543)	(3,131,408)	(9,836,840)
Total liabilities	(993,111,546)	(4,544,657)	(3,319,811)	(1,000,976,014)
Net position	81,030,574	382,642	23,879	81,437,095
Off-balance sheet credit commitments	97,250,314	1,135,899	94,716	98,480,929

Note:

- (i) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2023 Increase/(decrease)	31 December 2022 Increase/(decrease)
Change in profit after taxation and equity		
Up 100 bps parallel shift in yield curves	118,402	4,065
Down 100 bps parallel shift in yield curves	(118,402)	(4,065)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The Group centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Planning and Financial Department and Risk Management Department at the head office:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, Planning and Financial Department is responsible for developing and implementing the relevant system; identifying, measuring and monitoring the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting; organising the daily management of the liquidity risk by business departments; as well as the assessment and evaluation;
- The Group includes liquidity risk in a comprehensive risk management system. The Risk Management Department initiates ideas on limitation management of the liquidity risk, and arranges for performance evaluation.

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.



39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	31 December 2023							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	52,719,375	23,378,389	-	-	-	-	-	76,097,764
Deposits with banks and other financial institutions	-	7,206,976	299,977	-	-	-	-	7,506,953
Placements with banks and other financial institutions	165,000	-	1,535,260	302,322	7,588,672	-	-	9,591,254
Financial assets held under resale agreements	-	-	3,099,878	-	-	-	-	3,099,878
Loans and advances to customers	20,612,354	10,734,743	127,213,104	22,246,291	174,388,883	73,562,381	67,531,748	496,289,504
Financial investments (Note (ii))	41,815,108	-	26,472,730	63,339,625	10,628,360	42,365,244	272,540,109	457,161,176
Others	27,143,399	-	1,147,193	32,661	1,980,221	2,703	-	30,306,177
Total assets	<u>142,455,236</u>	<u>41,320,108</u>	<u>159,768,142</u>	<u>85,920,899</u>	<u>194,586,136</u>	<u>115,930,328</u>	<u>340,071,857</u>	<u>1,080,052,706</u>
Liabilities								
Borrowings from central bank	-	(3,436)	-	(168,181)	(667,720)	-	-	(839,337)
Deposits from banks and other financial institutions	-	(18,386,758)	(15,510,938)	(19,039,119)	(18,129,545)	(166,674)	-	(71,233,034)
Placements from banks and other financial institutions	-	-	(3,401,906)	(5,994,700)	(8,574,253)	-	-	(17,970,859)
Financial assets sold under repurchase agreements	-	-	(21,930,775)	(38,704,723)	(46,265,712)	-	-	(106,901,210)
Deposits from customers	-	(155,150,549)	(68,173,593)	(52,158,532)	(134,341,345)	(353,920,271)	(16,222,615)	(779,966,905)
Debt securities issued	-	-	(4,833,169)	(5,371,744)	(1,630,287)	-	(4,999,057)	(16,834,257)
Others	-	(4,155,642)	(1,073,681)	(106,503)	(413,960)	(511,619)	(150,836)	(6,412,241)
Total liabilities	<u>-</u>	<u>(177,696,385)</u>	<u>(114,924,062)</u>	<u>(121,543,502)</u>	<u>(210,022,822)</u>	<u>(354,598,564)</u>	<u>(21,372,508)</u>	<u>(1,000,157,843)</u>
Long/(short) position	<u>142,455,236</u>	<u>(136,376,277)</u>	<u>44,844,080</u>	<u>(35,622,603)</u>	<u>(15,436,686)</u>	<u>(238,668,236)</u>	<u>318,699,349</u>	<u>79,894,863</u>
Notional amount of derivatives	<u>-</u>	<u>-</u>	<u>4,002,168</u>	<u>10,920,794</u>	<u>18,037,145</u>	<u>100,000</u>	<u>-</u>	<u>33,060,107</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2022							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	58,211,489	17,046,869	-	-	-	-	-	75,258,358
Deposits with banks and other financial institutions	745,405	6,252,140	60,020	30,010	120,039	-	-	7,207,614
Placements with banks and other financial institutions	150,000	-	3,666,402	654,715	1,760,910	-	-	6,232,027
Financial assets held under resale agreements	-	-	9,377,937	-	-	-	-	9,377,937
Loans and advances to customers	13,335,822	782,542	221,068,149	29,294,903	187,274,875	150,229,274	28,613,852	630,599,417
Financial investments (Note (i))	32,195,896	-	58,734,144	70,316,884	41,191,714	32,043,344	95,129,578	329,611,560
Others	18,016,097	-	4,194,713	79,766	1,767,916	65,867	1,837	24,126,196
Total assets	122,654,709	24,081,551	297,101,365	100,376,278	232,115,454	182,338,485	123,745,267	1,082,413,109
Liabilities								
Borrowings from central bank	-	(2,853)	(84,720)	(122,755)	(979,791)	-	-	(1,190,119)
Deposits from banks and other financial institutions	-	(30,458,126)	(7,013,850)	(1,536,126)	(13,708,445)	-	-	(52,716,547)
Placements from banks and other financial institutions	-	-	(660,900)	(400,546)	(1,777,250)	-	-	(2,838,696)
Financial assets sold under repurchase agreements	-	-	(42,295,776)	(45,269,731)	(41,096,102)	-	-	(128,661,609)
Deposits from customers	-	(206,368,235)	(59,462,401)	(76,574,706)	(165,321,453)	(280,165,911)	(859,629)	(788,752,335)
Debt securities issued	-	-	(2,824,630)	(1,629,342)	(7,526,839)	-	(4,999,057)	(16,979,868)
Others	-	(4,628,133)	(1,306,104)	(212,549)	(2,979,253)	(456,338)	(254,463)	(9,836,840)
Total liabilities	-	(241,457,347)	(113,648,381)	(125,745,755)	(233,389,133)	(280,622,249)	(6,113,149)	(1,000,976,014)
Long/(short) position	122,654,709	(217,375,796)	183,452,984	(25,369,477)	(1,273,679)	(98,283,764)	117,632,118	81,437,095
Notional amount of derivatives	-	-	5,385,823	6,179,235	36,800,303	11,178,512	100,000	59,643,873

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) *Maturity analysis (Continued)*

Notes:

- (i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in “repayable on demand”.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	31 December 2023					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(855,737)	(3,527)	(171,481)	(680,729)	-	-
Deposits from banks and other financial institutions	(71,646,609)	(33,915,237)	(19,169,938)	(18,386,758)	(174,676)	-
Placements from banks and other financial institutions	(18,168,138)	(3,406,467)	(6,055,405)	(8,706,266)	-	-
Financial assets sold under repurchase agreements	(107,449,611)	(21,943,433)	(38,829,198)	(46,676,980)	-	-
Deposits from customers	(1,247,987,803)	(230,888,171)	(66,675,331)	(189,694,070)	(741,267,437)	(19,462,794)
Debt securities issued	(19,100,880)	(4,852,056)	(5,413,938)	(1,675,579)	(1,199,774)	(5,959,533)
Other financial liabilities	(5,994,311)	(5,147,945)	-	(183,718)	(488,954)	(173,694)
Total non-derivative financial liabilities	(1,471,203,089)	(300,156,836)	(136,315,291)	(266,004,100)	(743,130,841)	(25,596,021)

	31 December 2022					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(1,213,528)	(89,507)	(124,402)	(999,619)	-	-
Deposits from banks and other financial institutions	(52,846,466)	(37,479,584)	(1,539,007)	(13,827,875)	-	-
Placements from banks and other financial institutions	(2,890,241)	(662,260)	(405,090)	(1,822,891)	-	-
Financial assets sold under repurchase agreements	(129,446,800)	(42,324,296)	(45,464,886)	(41,657,618)	-	-
Deposits from customers	(839,705,540)	(288,752,629)	(78,658,529)	(171,031,324)	(300,258,103)	(1,004,955)
Debt securities issued	(19,632,166)	(2,840,958)	(1,657,025)	(7,733,525)	(1,200,000)	(6,200,658)
Other financial liabilities	(8,856,390)	(5,007,514)	(135,611)	(2,875,283)	(525,876)	(312,106)
Total non-derivative financial liabilities	(1,054,591,131)	(377,156,748)	(127,984,550)	(239,948,135)	(301,983,979)	(7,517,719)

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives

The Group's derivatives that will be settled on a net basis include:

- Interest rate swaps
- Foreign forward contracts
- Currency swaps

The Group's derivatives that will be settled on a gross basis include:

- Option contracts
- Foreign forward contracts
- Precious metal derivatives
- Currency swaps



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of RMB, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(c) Liquidity risk (Continued)****(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)**

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

	31 December 2023					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	(94)	(482)	(4,017)	4,405	-	-
Derivatives settled on gross basis						
Option contracts						
– cash outflow	(1,178,168)	(412,953)	(268,800)	(496,415)	-	-
– cash inflow	1,178,168	412,953	268,800	496,415	-	-
Foreign forward contracts						
– cash outflow	(1,828,106)	-	(31,190)	(1,796,916)	-	-
– cash inflow	1,834,190	-	31,190	1,803,000	-	-
Precious metal derivatives						
– cash outflow	(7,862,591)	-	(3,562,413)	(4,300,178)	-	-
– cash inflow	6,058,849	-	4,076,515	1,982,334	-	-
Currency swaps						
– cash outflow	(8,761,300)	(1,041,157)	(2,386,870)	(5,333,273)	-	-
– cash inflow	8,670,828	1,068,524	2,381,922	5,220,382	-	-

39 RISK MANAGEMENT (CONTINUED)**(c) Liquidity risk (Continued)****(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)**

	31 December 2022					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	35,430	(1,872)	(12,989)	42,361	7,930	-
Foreign forward contracts	398	-	-	398	-	-
Currency swaps	85,275,150	10,120,150	12,685,000	62,470,000	-	-
Derivatives settled on gross basis						
Option contracts						
- cash outflow	(2,914,503)	(733,488)	(818,085)	(1,344,418)	(18,512)	-
- cash inflow	2,914,503	733,488	818,085	1,344,418	18,512	-
Precious metal derivatives						
- cash outflow	(1,367,450)	-	(1,367,450)	-	-	-
- cash inflow	1,368,060	-	1,368,060	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group’s measure to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 2023 and 2022 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the NFRA (formerly the "CBIRC") in 2012 and relevant requirements promulgated by the NFRA (formerly the "CBIRC") as follows:

	Note	31 December 2023	31 December 2022
Total core tier-one capital			
– Share capital		8,796,680	8,796,680
– Qualifying portion of capital reserve		26,957,822	26,931,360
– Surplus reserve		7,481,817	7,411,839
– General reserve		14,830,687	14,797,531
– Fair value reserve		(2,346,078)	(1,274,532)
– Provision reserve		111,686	1,239,049
– Retained earnings		23,530,498	22,901,106
– Qualifying portions of non-controlling interests		165,248	160,618
– Others		(32,943)	(28,848)
Core tier-one capital		79,495,417	80,934,803
Core tier-one capital deductions		(1,697,075)	(385,544)
Net core tier-one capital		77,798,342	80,549,259
Other tier-one capital		15,000,000	–
Net tier-one capital		92,798,342	80,549,259
Tier-two capital			
– Qualifying portions of tier-two capital instruments issued		4,999,057	4,999,057
– Surplus provision for loan impairment		7,618,988	8,529,017
Net tier-two capital		12,618,045	13,528,074
Net capital base		105,416,387	94,077,333
Total risk weighted assets	39(e)(i)	746,552,852	816,537,283
Core tier-one capital adequacy ratio		10.42%	9.86%
Tier-one capital adequacy ratio		12.43%	9.86%
Capital adequacy ratio		14.12%	11.52%

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

Notes:

- (i) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the NFRA (formerly the “CBIRC”) requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2023 and 2022.

40 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities investments

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency forwards and swaps and the options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange forward rates, foreign exchange rate volatility, CFETS middle rate and Shanghai interbank offered rate yield curves, etc.

40 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2023			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– currency swaps	–	88,909	–	88,909
– interest rate swaps	–	17,767	–	17,767
– option contracts	–	62,742	–	62,742
– foreign forward contracts	–	13,650	–	13,650
– precious metal derivatives	–	13,635	–	13,635
Financial assets at fair value through profit or loss				
– debt instruments	–	3,566,513	–	3,566,513
– investment funds	28,679,493	–	–	28,679,493
– others	263,359	–	73,406,993	73,670,352
Financial assets at fair value through other comprehensive income				
– debt instruments	–	68,612,640	–	68,612,640
– equity instruments	2,073,163	–	15,868,699	17,941,862
Loans and advances to customers at fair value through other comprehensive income				
– Corporate loans and advances	–	–	9,059,814	9,059,814
– Discounted bills	–	–	61,223,282	61,223,282
Total	31,016,015	72,375,856	159,558,788	262,950,659
Liabilities				
Derivative financial liabilities				
– currency swaps	–	(87,304)	–	(87,304)
– interest rate swaps	–	(17,861)	–	(17,861)
– option contracts	–	(62,742)	–	(62,742)
– foreign forward contracts	–	(8,612)	–	(8,612)
– precious metal derivatives	–	(41,854)	–	(41,854)
Total	–	(218,373)	–	(218,373)

For the year ended 31 December 2023, there were no significant transfers between instruments in Level 1 and Level 2.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– currency swaps	–	87,823	–	87,823
– interest rate swaps	–	211,059	–	211,059
– option contracts	–	365,717	–	365,717
– foreign forward contracts	–	1,395	–	1,395
Financial assets at fair value through profit or loss				
– debt instruments	–	1,238,184	–	1,238,184
– investment funds	52,313,130	–	–	52,313,130
– others	113,781	–	75,070,558	75,184,339
Financial assets at fair value through other comprehensive income				
– debt instruments	–	36,000,018	–	36,000,018
– equity instruments	2,368,637	–	6,663,614	9,032,251
Loans and advances to customers at fair value through other comprehensive income				
– Corporate loans and advances	–	–	12,954,610	12,954,610
– Discounted bills	–	–	92,469,152	92,469,152
Total	54,795,548	37,904,196	187,157,934	279,857,678
Liabilities				
Financial liabilities at fair value through profit or loss	–	(2,421,778)	–	(2,421,778)
Derivative financial liabilities				
– currency swaps	–	(59,348)	–	(59,348)
– interest rate swaps	–	(175,631)	–	(175,631)
– option contracts	–	(365,723)	–	(365,723)
– foreign forward contracts	–	(1,097)	–	(1,097)
Total	–	(3,023,577)	–	(3,023,577)

During the year ended 31 December 2022, there were no significant transfers between instruments in Level 1 and Level 2.

40 FAIR VALUE (CONTINUED)

(c) Level 2 fair value measurement

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to debt securities, of which the fair value is determined with reference to the available market value. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

(d) Level 3 fair value measurement

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets which are recorded at fair value and the movement during the year:

	1 January 2023	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	31 December 2023	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:							
Financial investments at fair value through profit or loss							
– Other financial investments at fair value through profit or loss	75,070,558	(15,269)	–	536,202	(2,184,498)	73,406,993	210,011
Financial investments at fair value through other comprehensive income							
– Equity investments	6,663,614	–	(1,515,206)	10,720,291	–	15,868,699	–
Loans and advances to customers at fair value through other comprehensive income	105,423,762	–	139,532	216,245,579	(251,525,777)	70,283,096	–
Total	187,157,934	(15,269)	(1,375,674)	227,502,072	(253,710,275)	159,558,788	210,011



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(d) Level 3 fair value measurement (Continued)

	1 January 2022	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	31 December 2022	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:							
Financial investments at fair value through profit or loss							
– Other financial investments at fair value through profit or loss	60,193,822	(13,080)	–	17,397,214	(2,507,398)	75,070,558	225,280
Financial investments at fair value through other comprehensive income							
– Equity investments	6,721,875	–	(58,148)	–	(113)	6,663,614	–
Loans and advances to customers at fair value through other comprehensive income	80,049,974	–	–	260,093,724	(234,719,936)	105,423,762	–
Total	146,965,671	(13,080)	(58,148)	277,490,938	(237,227,447)	187,157,934	225,280

As at 31 December 2023 and 2022, unobservable inputs such as discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly wealth management plan, investment funds, equity investments, corporate loans and advances and discounted bills. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs. The higher the discount rate, the lower the fair value.

As at 31 December 2023 and 2022, the effects of changes in significant unobservable assumption to reasonably possible alternative assumptions were immaterial.

40 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value

- (i) **Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from central bank.**

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

- (ii) **Loans and advances to customers**

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

- (iii) **Financial assets measured at amortised cost**

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

- (iv) **Financial assets at fair value through other comprehensive income equity instruments**

Financial assets at fair value through other comprehensive income equity instruments are unlisted shares. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

- (v) **Deposits from customers**

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)**(vi) Debt securities issued**

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

	31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	264,690,316	265,143,952	-	53,124,477	212,019,475
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	4,999,057	5,070,095	-	5,070,095	-
– certificates of interbank deposit	11,835,200	11,788,726	-	11,788,726	-
Total	16,834,257	16,858,821	-	16,858,821	-

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	155,843,638	155,480,694	-	68,671,673	86,809,021
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	4,999,057	4,883,155	-	4,883,155	-
– certificates of interbank deposit	11,980,811	11,841,072	-	11,841,072	-
Total	16,979,868	16,724,227	-	16,724,227	-

41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	31 December 2023	31 December 2022
Bank acceptances	33,522,247	65,229,705
Letters of guarantees	3,991,416	6,338,078
Unused credit card commitments	22,376,738	19,231,905
Letters of credit	9,879,151	7,681,241
	<u>69,769,552</u>	<u>98,480,929</u>
Total	<u>69,769,552</u>	<u>98,480,929</u>

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount

	31 December 2023	31 December 2022
Credit risk-weighted amount of contingent liabilities and commitments	18,633,448	30,600,001
	<u>18,633,448</u>	<u>30,600,001</u>

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the NFRA (formerly the "CBIRC"). The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of RMB, unless otherwise stated)***41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)****(c) Capital commitments**

As at 31 December 2023 and 2022, the authorised capital commitments of the Group are as follows:

	31 December 2023	31 December 2022
Contracted but not paid for	206,819	139,285
Approved but not contracted for	52,052	209,475
Total	258,871	348,760

(d) Outstanding litigations and disputes

As at 31 December 2023 and 2022, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

(e) Pledged assets

	31 December 2023	31 December 2022
Investment securities	97,952,889	92,956,100
Discounted bills	57,797,113	73,574,825
Total	155,750,002	166,530,925

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 31 December 2023 and 2022, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2023 and 2022 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2023		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	54,054,346	54,054,346	54,054,346
Investment management products under trust scheme	<u>55,550,789</u>	<u>55,550,789</u>	<u>55,550,789</u>
Total	<u><u>109,605,135</u></u>	<u><u>109,605,135</u></u>	<u><u>109,605,135</u></u>

	31 December 2022		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	57,748,061	57,748,061	57,748,061
Investment management products under trust scheme	<u>100,975,837</u>	<u>100,975,837</u>	<u>100,975,837</u>
Total	<u><u>158,723,898</u></u>	<u><u>158,723,898</u></u>	<u><u>158,723,898</u></u>

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the consolidated statement of financial position.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

For the year ended 31 December 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB201.05 million (2022: RMB161.25 million).

As at 31 December 2023, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB39,044 million (31 December 2022: RMB43,819 million).

There were no guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from wealth management products disclosed above for the years ended 31 December 2023 and 2022. The Group was not required to absorb any losses incurred by wealth management products.

For the year ended 31 December 2023, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2023, but matured before 31 December 2023, is RMB995 million (2022: RMB8,335 million).

43 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products; however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

44 FIDUCIARY ACTIVITIES

The Group commonly acts as a manager, trustee or agent for clients in a fiduciary act. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2023, the entrusted loans balance of the Group is RMB865 million.

45 TRANSFERRED FINANCIAL ASSETS

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the consolidated statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 31 December 2023 and 2022, the Group doesn't have continuing involvement through acquiring some tranches.

Very Substantial Disposal in Relation to the Disposal of Assets of the Bank

On 27 September 2023, the Bank entered into the asset disposal agreement ("Asset Disposal Agreement") with Liaoning Asset Management Co., Ltd. ("Liaoning Asset"), pursuant to which the Bank has conditionally agreed to sell, and Liaoning Asset has conditionally agreed to purchase a portfolio of assets held by the Bank, including (i) loans and advances to customers, and (ii) financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, deposits and placements with banks and other financial institutions and other assets (the "Disposed Assets") at a consideration of approximately RMB176.0 billion. The consideration will be satisfied through the issue of the special-purpose notes ("Special-Purpose Notes") to the Bank by Liaoning Asset. The total carrying amount of the Disposed Assets was approximately RMB176.0 billion.

The principal amount of the Special-Purpose Notes is RMB176.0 billion. The Special-Purpose Notes is unsecured and carry interest at 2.25% per annum. Liaoning Asset shall pay the principal in one lump sum on the maturity date and the principal can be, at the discretion of the issuer, pre-paid (partially or wholly) before the maturity date, with maturity of 15 years at par plus accrued interest. The interest shall be paid annually. The Special-Purpose Notes was recognised as financial assets measured at amortised cost on the date of initial recognition. The fair value of the Special-Purpose Notes at initial recognition was approximately RMB176.0 billion.

The transaction was approved at the extraordinary general meeting on 31 October 2023. Accordingly, the transfer out of Disposed Assets has been completed and the Disposed Assets have been disposed of in full and are no longer accounted for in the Bank's consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 39(a) for the explanation of the assumptions and estimation used in measuring ECL.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's, related operating income and expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of related operating income and expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment, intangible assets and right-of-use assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Consolidation of structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement.

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2023	31 December 2022
Assets			
Cash and deposits with central bank		75,943,638	75,150,517
Deposits with banks and other financial institutions		6,927,752	6,606,350
Placements with banks and other financial institutions		14,230,235	10,375,061
Derivative financial assets		196,703	665,994
Financial assets held under resale agreements		3,099,878	9,377,937
Loans and advances to customers		490,475,451	625,161,773
Financial investments:			
Financial assets at fair value through profit or loss		105,916,358	128,735,654
Financial assets at fair value through other comprehensive income		86,554,502	45,032,269
Financial assets measured at amortised cost		264,690,316	155,843,638
Investments in subsidiaries	21	326,157	326,157
Property and equipment		5,029,480	4,847,148
Deferred tax assets		9,122,328	8,493,734
Other assets		15,853,048	10,040,792
		<u>1,078,365,846</u>	<u>1,080,657,024</u>
Liabilities			
Borrowings from central bank		838,637	1,188,874
Deposits from banks and other financial institutions		72,970,774	53,855,443
Placements from banks and other financial institutions		16,891,593	2,135,821
Financial liabilities at fair value through profit or loss		–	2,421,778
Derivative financial liabilities		218,373	601,799
Financial assets sold under repurchase agreements		106,901,210	128,661,609
Deposits from customers		778,760,866	787,727,334
Income tax payable		–	878,515
Debt securities issued		16,834,257	16,979,868
Other liabilities		5,857,042	5,609,754
		<u>999,272,752</u>	<u>1,000,060,795</u>



47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2023	31 December 2022
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34	26,931,360	26,931,360
Surplus reserve	34	7,481,817	7,411,839
General reserve	34	14,748,898	14,748,898
Fair value reserve	34	(2,346,078)	(1,274,532)
Provision reserve	34	111,686	1,239,049
Deficit on remeasurement of net defined benefit liability	34	(32,943)	(28,848)
Retained earnings	34	23,401,674	22,771,783
Total equity		<u>79,093,094</u>	<u>80,596,229</u>
Total liabilities and equity		<u>1,078,365,846</u>	<u>1,080,657,024</u>

Approved and authorised for issue by the board of directors on 28 March 2024.

Sun Jin

Chairman of Board of Directors

Liu Xu

President

Bao Hong

Chief Financial Officer

Yang Xi

Person in Charge of Accounting Institution

Company chop



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB, unless otherwise stated)

48 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 35.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

		Effective for accounting period beginning on or after
IFRS 16 Amendments	Leases on Sale and Leaseback	1 January 2024
IAS 1 Amendments	Non Current Liabilities with Covenants	1 January 2024
IAS 7 and IFRS 7 Amendments	Supplier finance arrangements	1 January 2024
IAS 21 Amendments	Lack of Exchangeability	1 January 2025
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

The Group is assessing the impact of adopting the above standards and amendments. The adoption of the above standards and amendments is not expected to have material impact on the Group's consolidated financial statements.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

(a) Liquidity coverage ratio

	As at 31 December 2023	Average for the year ended 31 December 2023	As at 31 December 2022	Average for the year ended 31 December 2022
Liquidity coverage ratio (RMB and foreign currency)	115.69%	127.00%	135.91%	141.58%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking Regulatory Commission the NFRA (formerly the "CBIRC") and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF").

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratios as at 30 June and 31 December.

(b) Leverage ratio

	31 December 2023	31 December 2022
Leverage ratio	8.37%	6.89%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the NFRA (formerly the "CBIRC") and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio is calculated in accordance with the formula promulgated by the NFRA (formerly the "CBIRC") and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)***(Expressed in thousands of RMB, unless otherwise stated)***2 CURRENCY CONCENTRATIONS**

	31 December 2023			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	25,485,773	141,452	1,006,973	26,634,198
Spot liabilities	<u>(14,663,932)</u>	<u>(13,323)</u>	<u>(116,754)</u>	<u>(14,794,009)</u>
Net long position	<u>10,821,841</u>	<u>128,129</u>	<u>890,219</u>	<u>11,840,189</u>

	31 December 2022			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	4,927,299	2,313,456	1,030,234	8,270,989
Spot liabilities	<u>(4,544,657)</u>	<u>(2,289,464)</u>	<u>(1,030,347)</u>	<u>(7,864,468)</u>
Net long position	<u>382,642</u>	<u>23,992</u>	<u>(113)</u>	<u>406,521</u>



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties in Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, and investments in debt securities.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	As at 31 December 2023			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	327,030	977,426	5,151,082	6,455,538
North and South America	19,187,034	893,544	–	20,080,578
Europe	–	635,768	–	635,768
Total	19,514,064	2,506,738	5,151,082	27,171,884

	As at 31 December 2022			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	133,056	1,118,148	1,957,066	3,208,270
North and South America	898,433	574,747	–	1,473,180
Europe	–	508,987	–	508,987
Total	1,031,489	2,201,882	1,957,066	5,190,437

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)***(Expressed in thousands of RMB, unless otherwise stated)***4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS**

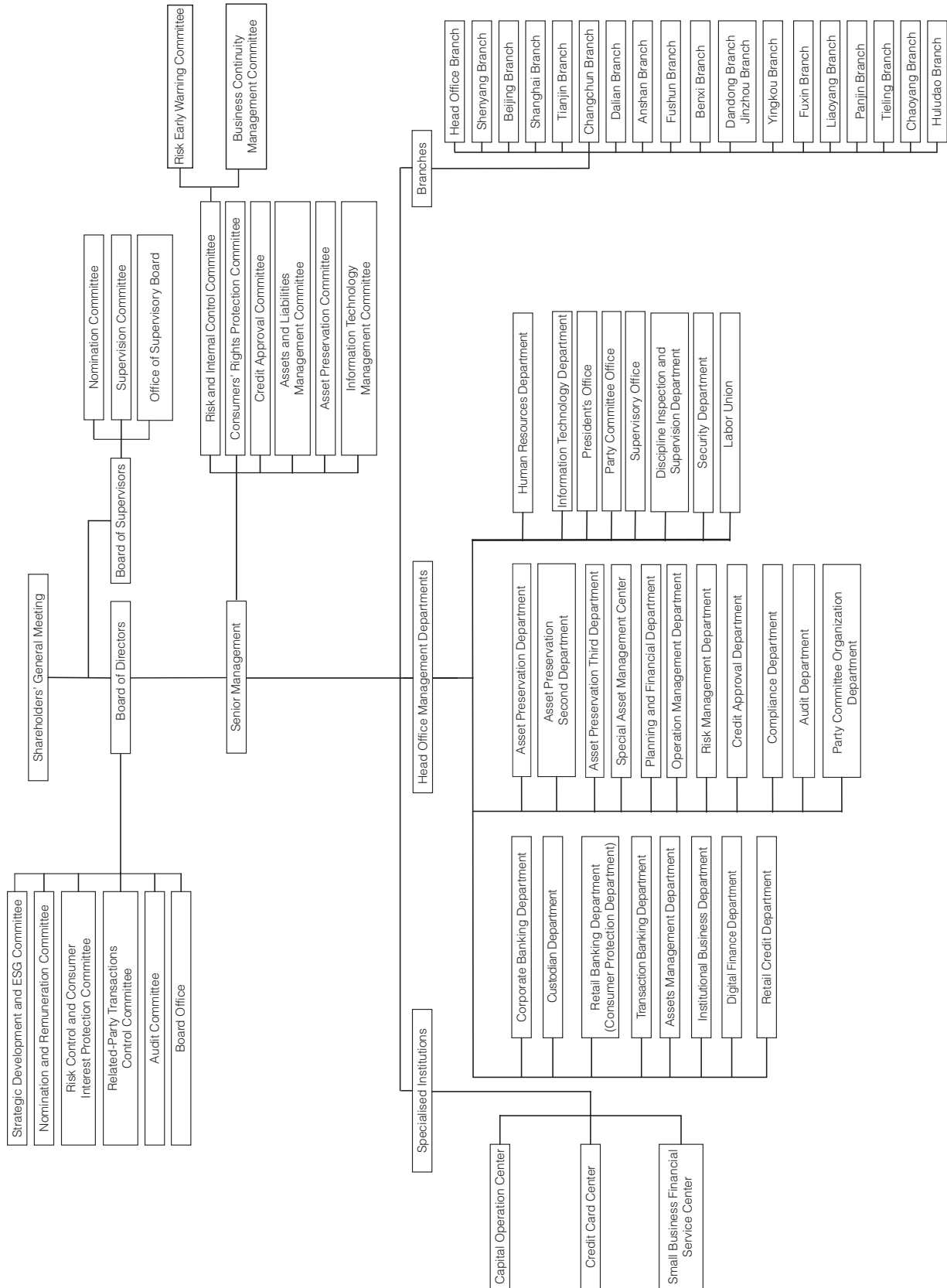
	31 December 2023	31 December 2022
Northeast China	21,714,549	24,034,301
North China	2,567,804	4,886,478
Others	758,437	1,396,901
Total	25,040,790	30,317,680

5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

	31 December 2023	31 December 2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	3,183,072	5,909,652
– between 6 months and 1 year (inclusive)	1,071,892	533,753
– over 1 year	7,506,626	12,451,672
Total	11,761,590	18,895,077
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.67%	0.96%
– between 6 months and 1 year (inclusive)	0.22%	0.09%
– over 1 year	1.57%	2.03%
Total	2.46%	3.08%



ORGANISATIONAL CHART





Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank

THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

Up to now, the Bank has a total of 212 operating institutions, including one institution with legal person status, three specialised institutions, 18 branches, 189 sub-branches and one small and micro sub-branch, details of which are set out as follows:

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
1	Head Office	Shengjing Bank Co., Ltd.	"No. 109, Beizhan Road, Shenhe District, Shenyang City"	024-22535633	110013	024-22535633
2	Beijing Municipality	"Beijing Branch of Shengjing Bank Co., Ltd."	"Tower D, Oriental Media Centre, No. 4, Guanghua Road, Chaoyang District, Beijing Municipality"	010-85570028	100026	010-85570028
3		"Beijing Zhongguancun Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 108, 109, Floor 1, No. 8, Haidian North 2nd Street, Haidian District, Beijing Municipality"	010-59718592	100080	010-59718592
4		"Beijing Guanyuan Sub-Branch of Shengjing Bank Co., Ltd."	"Commercial 5 (De Sheng Zone), Building 1, Yard 9, Chegongzhuang Street, Xicheng District, Beijing Municipality"	010-88359470	100044	010-85251177
5		"Beijing Shijicheng Sub-Branch of Shengjing Bank Co., Ltd."	"A3-1, Building A3, Chuihong Garden, Landianchang, Haidian District, Beijing"	010-88199290	100097	010-88199292
6		"Beijing Shunyi Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Floor 1, Tower 1, No 2, Zhanqian East Street, Shunyi District, Beijing Municipality"	010-61426812	101300	010-61426812
7		"Beijing Daxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26, Section 3, Xingye Street, Daxing District, Beijing Municipality"	010-65820066	102600	010-65820066
8		"Beijing Shijingshan Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 107, Floor 1, No.2, Yunquan Xili Zone 1, Shijingshan District, Beijing Municipality"	010-68636855	100040	010-68636855
9		"Beijing Wangjing Sub-Branch of Shengjing Bank Co., Ltd."	"Room 201 (inside 03), 2/F, Room 101, 2/F, No.5, Block 15, South Nanhu Road, Chaoyang District, Beijing Municipality"	010-64391577	100028	010-64391577
10		"Beijing Tongzhou Sub-Branch of Shengjing Bank Co., Ltd."	"Room 135 · 136 · 137, Floor 1, Building 1, Yard 3, Guanyin'an North Street, Tongzhou District, Beijing Municipality"	010-60568778	101100	010-69513102
11		Tianjin City	"Tianjin Branch of Shengjing Bank Co., Ltd."	"Shopping Mall of Building 1, Wanshun Hot Spring Garden, Huangpu South Road, Hexi District, Tianjin City"	022-28379999	300201
12	"Tianjin Huayuan Sub-Branch of Shengjing Bank Co., Ltd."		"No. 150-04 and No. 150-206, Yingshui Road, Huayuan Industrial Zone"	022-58815628	300384	022-58815628
13	"Tianjin Binhai Sub-Branch of Shengjing Bank Co., Ltd."		"No. 21-18, 2nd Street, Tianjin Development Zone"	022-59835260	300457	022-59835260

Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank 

**THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF
SHENGJING BANK (CONTINUED)**

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
14		"Tianjin Beichen Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 101, Building 4, Beichen Tower, Beichen District"	022-58687610	300400	022-58687610
15		"Tianjin Xiqing Sub-Branch of Shengjing Bank Co., Ltd."	"1B20, 21, 22, Dajincheng Commercial Plaza, Intersection of Yaolin Road and Yale Road, Liqizhuang Street, Xiqing District, Tianjin City"	022-58335695	300380	022-58335695
16		"Tianjin Hedong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1 & 2, Floor 1, No. 70, Huachang Road, Hedong District"	022-24410278	300011	022-24410278
17		"Tianjin Hebei Sub-Branch of Shengjing Bank Co., Ltd."	"No. 20, Wangchuanchang 5th Road, Hebei District, Tianjin City"	022-58885920	300150	022-58885920
18		"Tianjin Heping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 5, Xikang Road, Building 1 & 2, Hekang Mingdi, Heping District, Tianjin City"	022-59956312	300051	022-59956312
19		"Tianjin Dongli Sub-Branch of Shengjing Bank Co., Ltd."	"#3#1-2, 3-1-3, Xinshijia Building, Dongli District, Tianjin City"	022-84965926	300301	022-84965926
20		"Tianjin Nankai Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1, Nanfang Building, Northwest of the intersection of Anshan West Road and West Lake Village Street, Nankai District, Tianjin City"	022-83698133	300073	022-83698133
21		"Tianjin Jingtian Apartment Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"Zone 5-5-101A, Jingtian Apartment, Jiarongli Street, Beichen District, Tianjin City"	022-83904179	300134	022-83904179
22	Shanghai Municipality	"Shanghai Branch of Shengjing Bank Co., Ltd."	"Floor 8 (Room 08-1, Room 07, Room 06-1), Room 01-11, Floor 9-13 (Elevator floors 9-12, and 14), No. 309 North Huangpo Road, Huangpu District, Shanghai; Room A101-102, No. 389 West Nanjing Road, Shanghai"	021-32097727	200050	021-32097936
23		"Shanghai Putuo Sub-Branch of Shengjing Bank Co., Ltd."	"Room A8005-A8006, Floor 1, No. 1108, Zhenbei Road, Putuo District, Shanghai Municipality"	021-60290531	200333	021-60290531
24		"Shanghai Songjiang Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1 & 2, No. 2, 4, 6, 8 & 10, Changxin Garden, Lane 1855, Sixian Road, Songjiang District, Shanghai Municipality"	021-67828575	201620	021-67828575
25		"Shanghai Pudong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 968, Pudong Avenue, China (Shanghai) Pilot Free Trade Zone"	021-60191765	200135	021-60191755
26		"Shanghai Changning Anlong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 759, Longan Road, Changning District, Shanghai Municipality"	021-60791282	200336	021-60791282
27		"Shanghai Xuhui Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 107/108, Floor 1 & Shop 210/209, Floor 2, No. 75, Tianlin East Road, Xuhui District, Shanghai Municipality"	021-61270576	200235	021-61270576



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
28		"Shanghai Hongkou Sub-Branch of Shengjing Bank Co., Ltd."	"Room 101 & 201, No.216, Siping Road, Hongkou District, Shanghai Municipality"	021-31068700	200001	021-31068700
29		"Shanghai Jing'an Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Building No. 1, No.555, Nanjing West Road, Jing'an District, Shanghai Municipality"	021-52897970	200041	021-52897927
30		"Shanghai Yangpu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 166, 168, 170, Guoquan East Road, Yangpu District, Shanghai Municipality"	021-55960667	200433	021-55960667
31		"Shanghai Zhabei Sub-Branch of Shengjing Bank Co., Ltd."	"Room 101-10, 101-11, 101-12, 101-13, No.160, Jiangchang West Road, Jing'an District, Shanghai Municipality"	021-56525171	200040	021-56525171
32	Changchun City	"Changchun Branch of Shengjing Bank Co., Ltd."	"No. 61, Gongnong Avenue, Chaoyang District, Changchun City, Jilin Province"	0431-81958888	130000	0431-81958888
33		Changchun Linhe Street Sub-branch of Shengjing Bank Co., Ltd.	"No. 5320 Linhe Street, Economic Development Zone, Changchun City, Jilin Province"	0431-81928705	130000	0431-81928705
34		"Changchun Xi'an Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Xi'an Avenue, Chaoyang District, Changchun City"	0431-89828555	130000	0431-89828555
35		"Changchun Xiangyun of Shengjing Bank Co., Ltd."	"No. 1438, Xiangyun Street, Lvyuan District, Changchun City"	0431-89297707	130000	0431-89297707
36		"Changchun Yongchun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 88, 4th Road, Nanguan District, Changchun City, Jilin Province"	0431-82008676	130000	0431-82008676
37		"Changchun Ziyou Avenue Sub-Branch of Shengjing Bank Co., Ltd"	"Block C, Yatai Haoyuan Community, No. 1008, Ziyou Avenue, Chaoyang District, Changchun City, Jilin Province"	0431-82008660	130000	0431-82008660
38		"Changchun Dongsheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1999, Jilin Avenue, Erdao District, Changchun City"	0431-81970381	132000	0431-81970381
39		"Jilin City Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 2-4, Post Office Building, No. 2, Songjiang East Road, Changyi District, Jilin City, Jilin Province"	0432-62673888	130000	0432-62673888
40		"Changchun CETDZ Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1138 & 1156, Weixing Road, Changchun Economic and Technological Development Zone"	0431-82008770	130000	0431-82008770
41		"Changchun Jingyang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 3310, Jingyang Avenue, Changchun Automobile Economic and Technological Development Zone, Jilin City"	0431-82008706	130000	0431-82008706
42		"Changchun ADZ Sub-Branch of Shengjing Bank Co., Ltd."	"No. 547, Rongchang Road, Automobile Development Zone, Changchun City"	0431-81082666	130000	0431-81082666
43		"Changchun Hi-tech Sub-Branch of Shengjing Bank Co., Ltd."	"No. 2481, Guigu Street, Hi-Tech Development Zone, Changchun City, Changchun Province"	0431-81086112	130000	0431-81086112



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
44	Liaoning Province	"Shenyang Branch of Shengjing Bank Co., Ltd."	"No. 2 A, Wu'ai Street, Shenhe District, Shenyang City"	024-83256969	110016	024-83256978
45		"Shenyang Shenhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 2, Zhong Jie Road, Shenhe District, Shenyang City"	024-84842085	110011	024-24869730
46		"Shenyang Shangyuan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 34-A, Shangyuan Road, Dadong District, Shenyang City"	024-88326157	110041	024-88326157
47		"Shenyang Changqing Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 6, 7, 8 & 9, No. 17-25, Changqing South Street, Hunnan District, Shenyang City"	024-31263205	110013	024-31263205
48		"Shenyang Jindi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, 5, No. 18-119, Xuecheng Road, Hunnan District, Shenyang City, Liaoning Province"	024-22972532	110000	024-22972532
49		"Shenyang Jiahua Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 8, No. 33-7, Fumin South Street, Hunnan District, Shenyang City, Liaoning Province"	024-24200230	110015	024-24200230
50		"Shenyang Zhongshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 206, Zhongshan Road, Shenhe District, Shenyang City"	024-22852026	110013	024-22852872
51		"Shenyang Zhenxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 181A, South 5th Road, Heping District, Shenyang City"	024-23244929	110006	024-23244929
52		"Shenyang Donghuan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4 & 5, No. 37, Shentie Road, Dadong District, Shenyang City"	024-22712154	110044	024-22712154
53		"Shenyang Nanliu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 16, South 8th Road, Heping District, Shenyang City"	024-23508046	110000	024-23508046
54		"Shenyang Zhaogong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 3, Block 35, No. 26-A, North 2nd West Road, Tiexi District, Shenyang City"	024-23830881	110026	024-23830881
55		Shenyang Shenfu Demonstration Shenyang Shenfu Demonstration	M1, M2, M3, M4, M5, M6, M24, M25, M26, M27, M28, M29, M30, M31, No. 437-83 Hunnan East Road, Shenfu Demonstration Zone, Liaoning Province	024-31620376	110000	024-23261166
56		"Shenyang Xinshijie Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 5&6, No.7-19, South Sanhao Street, Heping District, Shenyang City"	024-82562359	110057	024-82562359
57		"Shenyang Binhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 92, Da'nan Street, Shenhe District, Shenyang City"	024-24120717	110011	024-24809998
58		"Shenyang Hengxin Sub-Branch of Shengjing Bank Co., Ltd."	"No. 51, Re'nao Road, Shenhe District, Shenyang City"	024-31290373	110011	024-31290373
59		"Shenyang Jinsha Sub-Branch of Shengjing Bank Co., Ltd."	"No. 187, Daxi Road, Shenhe District, Shenyang City"	024-22973779	110014	024-22973779
60		"Shenyang Zhongxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Zhongxing Street, Heping District, Shenyang City"	024-23218962	110001	024-23218962
61		"Shenyang Yuhong New Town Sub-Branch of Shengjing Bank Co., Ltd."	"No. 58, Xiannvhe Road, Yuhong District, Shenyang City, Liaoning Province (All)"	024-25711310	110107	024-25711310



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
62		"Shenyang Wanquan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 35, Changqing Street, Shenhe District, Shenyang City"	024-24212158	110015	024-24212158
63		"Shenyang 204 Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14, Liming 5th Street, Dadong District, Shenyang City"	024-88417845	110043	024-88417845
64		"Shenyang Jiahe Sub-Branch of Shengjing Bank Co., Ltd"	"Gate 7, No. 1, Fangming Street, Shenhe District, Shenyang City"	024-24627163	110015	024-24627163
65		"Shenyang Dongmao Road Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2 & 3, No. 18A-42, Dongling Road, Shenhe District, Shenyang City"	024-88421161	110136	024-88421161
66		"Shenyang North Station Sub-Branch of Shengjing Bank Co., Ltd."	"No. 27, Huigong East 1st Street, Shenhe District, Shenyang City"	024-88522942	110013	024-88522942
67		"Shenyang Zhongjin Qicheng Sub-branch of Shengjing Bank Co., Ltd."	"(Gate 3) (Gate 4) No. 108, Hemu Road, Shenhe District, Shenyang City, Liaoning Province"	024-24845710	110000	024-24845710
68		"Shenyang Yinhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 180, Xiaonan Street, Shenhe District, Shenyang City"	024-24187108	110016	024-24187108
69		"Shenyang Songling Sub-Branch of Shengjing Bank Co., Ltd."	"No. 88, Huanghe North Street, Yuhong District, Shenyang City"	024-86537301	110144	024-86537301
70		"Shenyang Nujiang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1-1, 1-2, 1-3, 1-4, No. 36-7, Beigu Mountain Road, Yuhong District, Shenyang City"	024-86515855	110031	024-86515855
71		"Shenyang Huanghe Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 111, Huanghe South Street, Huanggu District, Shenyang City,"	024-82555819	110031	024-82555819
72		"Shenyang Taishan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 5, 6&7, No. 7-4, Yalu River East Street, Huanggu District, Shenyang City"	024-86629596	110144	024-86629596
73		"Shenyang Wenda Road Sub Branch of Shengjing Bank Co., Ltd."	"Gates 7 and 8, No. 231-24, Wenda Road, Huanggu District, Shenyang City, Liaoning Province"	024-25715220	110038	024-25715220
74		"Shenyang Wuyi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 58, Liaohe Street, Huanggu District, Shenyang City"	024-86840414	110031	024-86840414
75		"Shenyang Xianggong Sub-Branch of Shengjing Bank Co., Ltd"	"No. 215, Huashan Road, Huanggu District, Shenyang City"	024-86749732	110035	024-86749732
76		"Shenyang Dabeiguan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 42, Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province"	024-88565286	110041	024-88565286
77		"Shenyang Yuhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Huanghai Road, Yuhong District, Shenyang City"	024-25305689	110141	024-25301499
78		"Shenyang Tiecheng Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3&4, Building 3, No. 25-1, Zhaogong South Street, Tiexi District, Shenyang City, Liaoning Province"	024-25717902	110024	024-25717901
79		"Shenyang Shuangxi Sub-Branch of Shengjing Bank Co., Ltd"	"No. 88, Zhonggong South Street, Tiexi District, Shenyang City"	024-25787387	110024	024-25787387



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
80		"Shenyang Zhangshi Sub-Branch of Shengjing Bank Co., Ltd."	No. 212, Shenliao Road, Shenyang Economic and Technological Development Zone"	024-25280910	110023	024-25280910
81		"Shenyang Economic and Technological Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21-A-5, Central Street, Shenyang Economic and Technological Development Zone"	024-62836296	110142	024-62836296
82		"Shenyang Liaozhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 106, Zhengfu Road, Liaozhong Town, Liaozhong District, Shenyang City, Liaoning Province"	024-87880580	110200	024-87880580
83		"Shenyang Xinmin Sub-Branch of Shengjing Bank Co., Ltd."	No. 3, Zhongxing East Road, Xinmin City	024-27855999	110300	024-27855959
84		"Shenyang Hemu Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 15, Jinqiao Road, Dadong District, Shenyang City"	024-24321474	110042	024-24321474
85		"Shenyang Dongbei Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 6&7, No. 262, Dongbei Avenue, Dadong District, Shenyang City, Liaoning Province"	024-88217598	110044	024-88212840
86		"Shenyang Bajiazi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 7, No. 22, Dongling West Road, Dadong District, Shenyang City, Liaoning Province"	024-88441405	110043	024-88441405
87		"Shenyang Dadong Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 116, Dongshuncheng Street, Dadong District, Shenyang City"	024-24845070	110041	024-24845070
88		"Shenyang Zhenghao Sub-Branch of Shengjing Bank Co., Ltd."	"No. 68, Pangjiang Street, Dadong Street, Shenyang City"	024-24352501	110041	024-24352501
89		"Shenyang Jilong Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, No. 68, Dadong Road, Dadong District, Shenyang City"	024-24321649	110041	024-24321649
90		"Shenyang Liaoshen Sub-Branch of Shengjing Bank Co., Ltd."	"16#, No. 1, Liaoshen 2nd Street, Dadong District, Shenyang City, Liaoning Province"	024-88113032	110041	024-88113032
91		"Shenyang Dongshuncheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 2, Dongshuncheng Road, Shenhe District, Shenyang City"	024-24867743	110014	024-24867743
92		"Shenyang Chongshan East Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 61, Chongdong East Road, Huanggu District, Shenyang City, Liaoning Province"	024-23496033	110167	024-24829409
93		"Shenyang Huashan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 76, Harbin Road, Heping District, Shenyang City"	024-22501048	110002	024-22501048
94		"Shenyang Xinhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 98, Shashan Street, Heping District, Shenyang City"	024-23304214	110005	024-23304214
95		"Shenyang Lingdong Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 12&13, No. 28, Tieshan Road, Huanggu District, Shenyang City, Liaoning Province"	024-31513441	110032	024-31513441
96		"Shenyang Huaxin Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, No. 12, Huashan Road, Huanggu District, Shenyang City, Liaoning Province"	024-86413380	110031	024-86413380
97		"Baita Sub-Branch of Shengjing Bank Co., Ltd."	"Gates 9 and 10, No. 130-27, Quanyun Road, Hunnan District, Shenyang"	024-81948699	110167	024-81948699



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
98		"Shenyang Shenyang Road Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 21, No. 15-5, Shenyang Road, Hunnan New District, Shenyang City, Liaoning Province"	024-62346152	110180	024-62346152
99		"Shenyang Xuesong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 54, Xuesong Road, Sujiatun District, Shenyang City, Liaoning Province"	024-89586967	110101	024-89586967
100		"Shenyang Xiangshuwan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 6, Hejiang Street, Yuhong District, Shenyang City"	024-86527520	110031	024-86527520
101		"Shenyang Keji Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, No. 318, Qingnian Street, Heping District, Shenyang City, Liaoning Province"	024-23997390	110001	024-23842504
102		"Shenyang Nanhu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21 A-1, Sanhao Street, Heping District, Shenyang City"	024-23895215	110001	024-23895215
103		"Shenyang Xinning Street Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, No. 2, Xinning Street, Shenhe District, Shenyang City, Liaoning Province"	024-24232911	110015	024-24233911
104		"Shenyang Dongxing Sub-Branch of Shengjing Bank Co., Ltd."	"Gates 11-12, No. 429 Da'nán Street, Shenhe District, Shenyang City, Liaoning Province"	024-24516360	110016	024-24516360
105		"Shenyang Heping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 96, Taiyuan South Street, Heping District, Shenyang City"	024-23518649	110001	024-23528647
106		"Shenyang Nanjing Street Sub-Branch of Shengjing Bank Co., Ltd."	"No. 45, Nanjing South Street, Heping District, Shenyang City"	024-23523225	110001	024-23523225
107		"Shenyang Shengli Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14 and 16, Changbai 4th Street, Heping District, Shenyang City"	024-23523044	110166	024-23523044
108		"Shenyang Tianhe Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 101 & 102, No. 5, Zhongshan Road, Heping District, Shenyang City"	024-83465328	110002	024-83465328
109		"Shenyang Beishi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 218, Shifu Avenue, Heping District, Shenyang City"	024-62502761	110002	024-62502762
110		"Shenyang Hetai Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3, No. 107, Nanjing North Street, Heping District, Shenyang City"	024-22870771	110002	024-22870771
111		"Shenyang Zhonghai Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, Gate 2-301, Gate 2-302, Gate 3, No. 381, Changbai South Road, Heping District, Shenyang City, Liaoning Province"	024-88907277	110166	024-83251662
112		"Shenyang Medical University Sub-Branch of Shengjing Bank Co., Ltd."	"No.92, North Second Road, Heping District, Shenyang City"	024-83282796	110002	024-83282796
113		"Shenyang Hongxia Sub-Branch of Shengjing Bank Co., Ltd."	"No. 38, North 5th Longitude Street, Heping District, Shenyang City"	024-62250304	110003	024-62250304
114		"Shenyang Nanshi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 7, South 3rd Longitude Street, Shenhe District, Shenyang City"	024-22710606	110013	024-22710606
115		"Shenyang Shenshui Sub-Branch of Shengjing Bank Co., Ltd."	"No.496, Changbai Street, Heping District, Shenyang City"	024-31910800	110002	024-31910800
116		"Shenyang Baogong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 15, Baogong South Street, Tiexi District, Shenyang City"	024-25655584	110021	024-25655584
117		"Shenyang Xinggong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 108, Xinggong North Street, Tiexi District, Shenyang City"	024-25851590	110021	024-25851590
118		"Shenyang Baoxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 29, Xinghua North Street, Tiexi District, Shenyang City"	024-25112720	110027	024-25112720



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
119		"Shenyang Tengfei Sub-Branch of Shengjing Bank Co., Ltd."	"No. 57, Tengfei 1st Street, Tiexi District, Shenyang City, Liaoning Province"	024-25931567	110027	024-25931567
120		"Shenyang Tiexi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 31, Jianshe Middle Road, Tiexi District, Shenyang City"	024-25874600	110021	024-25874600
121		"Shenyang Mazhuang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 26, Mazhuang Street, Tiexi District, Shenyang City, Liaoning Province"	024-25728349	110023	024-25728349
122		"Shenyang Xinghua Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14, Yanhua Street, Tiexi District, Shenyang City"	024-25964572	110021	024-25964572
123		"Shenyang Jianshe Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Jianshe Middle Road, Tiexi District, Shenyang City"	024-25866380	110021	024-25866380
124		"Shenyang Puhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 16 Tianqianhu Street, Shenbei New District, Shenyang City, Liaoning Province"	024-24315810	110100	024-24313510
125		"Shenyang Jingxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 178, Xingshun Street, Tiexi District, Shenyang City"	024-85400343	110023	024-85400343
126		"Shenyang Xingshun Sub-Branch of Shengjing Bank Co., Ltd."	"(Gate 1) (Gate 2) (Gate 3) (Gate 4) (Gate 5) (Gate 6), No.23-1, North 2nd Middle Road, Tiexi District, Shenyang City, Liaoning Province"	024-81054378	110023	024-81054378
127		"Shenyang Huaxiang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4-5, No. 18, Huaxiang Road, Tiexi District, Shenyang City, Liaoning Province"	024-25920997	110023	024-25920997
128		"Shenyang Yaming Sub-Branch of Shengjing Bank Co., Ltd."	"No. 100, Kunshan Middle Road, Huanggu District, Shenyang City"	024-86860739	110031	024-86852023
129		"Shenyang Tawan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1-2, No. 142, Kunshan West Road, Huanggu District, Shenyang City"	024-86722014	110031	024-86722014
130		"Shenyang Yalu River Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 11, No. 63, Yalu River Street, Huanggu District, Shenyang City"	024-86620510	110031	024-86620510
131		"Shenyang Beihuan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 78, North Changjiang Street, Yuhong District, Shenyang City, Liaoning Province"	024-86166201	110034	024-86166201
132		"Shenyang Changjiang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 59, Changjiang Street, Huanggu District, Shenyang City"	024-86297739	110031	024-86297739
133		"Shenyang Social Security Building Sub-Branch of Shengjing Bank Co., Ltd."	"No. 103, Chongshan Middle Road, Huanggu District"	024-26404129	110013	024-26404129
134		"Shenyang Dongling Sub-Branch of Shengjing Bank Co., Ltd."	"No. 105A, Wanliutang Road, Shenhe District, Shenyang City, Liaoning Province"	024-24200020	110015	024-24200020
135		"Shenyang Nanta Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 6 & 7, No.18, Wenhua East Road, Shenhe District, Shenyang City, Liaoning Province"	024-24222193	110015	024-24222193
136		"Shenyang Free Trade Zone Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1, Block D, No.109-4 Quanyun Road, Shenyang Area, China (Liaoning) Pilot Free Trade Zone (Room 128)"	024-83766268	110000	024-83766268
137		"Shenyang Hepan New Town Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	024-24564181	110000	024-24564181
138		"Shenyang Sujiatun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 60, Fengyang Road, Sujiatun District, Shenyang City"	024-89811137	110101	024-89811137



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
139		"Shenyang Changbai Sub-Branch of Shengjing Bank Co., Ltd."	"Jia 1-2, No. 62, Changbai West Road, Heping District, Shenyang City"	024-23732950	110001	024-23732950
140		"Shenyang Fengyang Sub-Branch of Shengjing Bank Co., Ltd."	"Door 1, S3, No. 107, Fengyang Road, Sujiatun District, Shenyang City"	024-89825773	110101	024-89825773
141		"Shenyang Shenbei New District Sub-Branch of Shengjing Bank Co., Ltd."	"No. 32, Yinhe Street, Shenbei New District, Shenyang City, Liaoning Province"	024-89869157	110121	024-89869157
142		"Shenyang Daoyi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3 & 4, No. 55-5, Daoyi North Street, Shenbei New District, Shenyang City, Liaoning Province"	024-89798932	110000	024-89798932
143		"Shenyang Kangping Sub-Branch of Shengjing Bank Co., Ltd."	"No.300 Central Street, Kangping Town, Kangping County, Shenyang City, Liaoning Province"	024-87335672	110500	024-87335672
144		"Shenyang Faku Sub-Branch of Shengjing Bank Co., Ltd."	"Shops 105, 106, 107, 108 & 109, Building 6, No. 41, Bianmen Street, Faku Town, Faku County, Shenyang City, Liaoning Province"	024-31109066	110400	024-31109166
145		"Dalian Branch of Shengjing Bank Co., Ltd."	"No. 160, Jiefang Road, Zhongshan District, Dalian City, Liaoning Province"	0411-82566666	116011	0411-82566666
146		"Dalian Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 37-1, Liaohe West Road, Dalian Economic and Technological Zone, Liaoning Province"	0411-87571166	116600	0411-87571166
147		"Dalian Wafangdian Sub-Branch of Shengjing Bank Co., Ltd."	"No. 559-7, 8 & 9, Zhufeng Street, Wenlan Street Office, Wafangdian City, Liaoning Province"	0411-85552255	116300	0411-85552255
148		"Dalian Wusi Square Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Wusi Square, Shahekou District, Dalian City, Liaoning Province"	0411-84652233	116000	0411-84652233
149		"Dalian Xinghai Sub-Branch of Shengjing Bank Co., Ltd"	"No. 6, 1st Floor, Unit 1, No. 14, Area B2, Xinghai Plaza, Shahekou District, Dalian City, Liaoning Province"	0411-88144433	116000	0411-88144433
150		"Dalian Renmin Road Sub-Branch of Shengjing Bank Co., Ltd"	"No.73 Renmin Road, Zhongshan District, Dalian City, Liaoning Province"	0411-82593999	116011	0411-82593999
151		"Anshan Sub-Branch of Shengjing Bank Co., Ltd"	"5A-S1, S3, S4, S5, S6, S7, S8, S9, S10, S11, S12, S13, Hunan Street, Tiedong district, Anshan City, Liaoning Province"	0412-5939998	114000	0412-5939998
152		"Anshan Tiedong Sub-Branch of Shengjing Bank Co., Ltd."	"No. S9, No.S10 and No. S11, Building 40, Shannan Street, Tiedong district, Anshan City, Liaoning Province"	0412-5841266	114000	0412-5841266
153		"Anshan Tiexi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 178-S1, S2, S3 & S4, No. 178, Jiudao Street, Tiexi District, Anshan City"	0412-8592299	114000	0412-8592299
154		"Anshan Haicheng Sub-Branch of Shengjing Bank Co., Ltd."	"01-S4, Silk Street, Haicheng City, Anshan City, Liaoning Province"	0412-3666766	114000	0412-3666766
155		"Anshan Xinxing Sub-Branch of Shengjing Bank Co., Ltd."	"4-S1&4-S2, North Shengli Road, Lishan District, Anshan City, Liaoning Province"	0412-5916280	114000	0412-5916280
156		"Anshan Shengli Sub-Branch of Shengjing Bank Co., Ltd."	"No. 9-11, Wuyi Road, Tiedong District, Anshan City, Liaoning Province"	0412-5939993	114000	0412-5939993
157		Anshan High-Tech Sub-branch of Shengjing Bank Co., Ltd.	"No. S10 and S11, Building 45, Yue Ling Road, Lishan District, Anshan City, Liaoning Province"	0412-5290155	114000	0412-5290155



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

Geographical						
No.	Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
158		"Fushun Branch of Shengjing Bank Co., Ltd."	"No. 2, Building 21-1, Linjiang East Road, Shuncheng District, Fushun City, Liaoning Province"	024-53903666	113006	024-53903666
159		"Fushun Xinfu Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 2, Building 2, Wugong Street, Xinfu District, Fushun City, Liaoning Province"	024-53965666	113008	024-53965666
160		"Fushun Wanghua Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 1 & 2, Building 23, West Section, Leifeng Road, Wanghua District, Fushun City, Liaoning Province"	024-53978966	113001	024-53978966
161		"Fushun Dongzhou Sub-Branch of Shengjing Bank Co., Ltd."	"First Floor of Room 5 and First & Second Floor of Room 6, Nonresidential Two-Floor Unit, No. 3, Dongzhou North Street, Dongzhou District, Fushun City, Liaoning Province"	024-53784333	113004	024-53784333
162		"Benxi Branch of Shengjing Bank Co., Ltd."	"No. 4, Dongming Road, Pingshan District, Benxi City (Central Street, Pingshan District)"	024-43106888	117000	024-43106888
163		"Benxi Mingshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 4, 1st Floor, No. 4, 2nd Floor, No. 5, 1st Floor, No. 5, 2nd Floor, Building 7-1B, Digong Road, Mingshan District, Benxi City, Liaoning Province"	024-45580666	117000	024-45580666
164		"Benxi Shengli Road Sub-Branch of Shengjing Bank Co., Ltd."	"Building 57, Shengli Road, Mingshan District, Benxi City"	024-42966688	117000	024-42966688
165		"Benxi Pingshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Building 31-6, Pingshan Road, Pingshan District, Benxi City, Liaoning Province"	024-42966999	117000	024-42966999
166		"Benxi County Sub-Branch of Shengjing Bank Co., Ltd."	"No. 331, Changjiang Road, Xiaoshi Town, Benxi Manchu Autonomous County, Liaoning Province"	024-43336111	117100	024-43336111
167		Benxi Huanren Sub-branch of Shengjing Bank Co., Ltd.	No. 2-2, Unit 0, Block 2, Group 02, Xiangyang Street, Huanren Town, Huanren Manzu Autonomous County, Benxi City, Liaoning Province	024-48217666	117200	024-48217666
168		Dandong Branch of Shengjing Bank Co., Ltd.	"No. 70, Qingnian Street, Zhenxing District, Dandong City"	0415-2946666	118000	0415-2946666
169		"Dandong Donggang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 30, Jinxiu Jiayuan Community, Dadong Administrative Zone, Donggang County-level City, Dandong City, Liaoning Province"	0415-2596666	118300	0415-2596666
170		Dandong Yuanbao Sub-branch Shengjing Bank Co., Ltd.	"No. 20-1, 20-5 Xinglong Street, Yuanbao District, Dandong City, Liaoning Province"	0415-2800666	118000	0415-2800666
171		"Jinzhou Branch of Shengjing Bank Co., Ltd."	"No. 43-1, Area B of Lingyunli Manhattan, Taihe District, Jinzhou City"	0416-2110900	121000	0416-2110900



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
172		"Jinzhou Yan'an Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1-1, Jindi Baihe Bay, No. 2, Section 7, Yan'an Road, Linghe District, Jinzhou City, Liaoning Province"	0416-2110950	121000	0416-2110950
173		"Jinzhou Jiefang Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, 9, Section 171, Hangzhou Street, Linghe District, Jinzhou City, Liaoning Province"	0416-2110988	121000	0416-2110988
174		"Jinzhou Central Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26-52 & 26-53, Section 3, Jiefang Road, Guta District, Jinzhou City, Liaoning Province"	0416-2110998	121000	0416-2110998
175		"Jinzhou Shifu Road Sub-Branch of Shengjing Bank Co., Ltd."	"No.3-118, No.3-119, No.3-120, No.3-121, Dianyi Xinzhou, Shifu Road, Taihe District, Jinzhou City, Liaoning Province"	0416-3680555	121000	0416-3680555
176		"Yingkou Branch of Shengjing Bank Co., Ltd."	"No. 17, Riyue Avenue, Yingkou Economic and Technological Development Zone, Liaoning Province"	0417-6818666	115007	0417-6818666
177		"Yingkou Dashiqiao Sub-Branch of Shengjing Bank Co., Ltd."	"No. 28 (Yandongli of Junmin Street), Hada Middle Road, Dashiqiao County-level City, Yingkou City, Liaoning Province"	0417-5826677	115100	0417-5826677
178		"Yingkou Shifu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1-A-A-1, Huibin Road, Zhanqian District, Yingkou City"	0417-4887700	115000	0417-4887700
179		Yingkou Xiongyue Sub-branch of Shengjing Bank Co., Ltd.	"Zhanqian Street, Xiongyue Town, Bayuquan District, Yingkou City, Liaoning Province (outlets at No. 25, Block 1, Parkson Commercial and Residential Apartment, and No. 26 and 27, Parkson Commercial and Residential Apartment East)"	0417-6166640	115007	0417-6166640
180		"Yingkou Xuefu Sub-Branch of Shengjing Bank Co., Ltd"	"No. 75-A6 and A7, Panpan Road South, Xishi District, Yingkou City, Liaoning Province"	0417-2922345	115000	0417-2922345
181		"Yingkou Gaizhou Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 2, Building 10, Longsheng Huayuan, Xinxing Community, Xicheng Street Office, Gaizhou County-level City, Yingkou City, Liaoning Province"	0417-7331666	115200	0417-7331666
182		"Yingkou Kunlun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8-2, South Section, Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province"	0417-6166600	115007	0417-6166600
183		"Fuxin Branch of Shengjing Bank Co., Ltd."	"Gate 12, 14, 16, 18, 20, 22, No. 86, Zhonghua Road, Haizhou District, Fuxin City"	0418-5699999	123000	0418-5699999
184		"Fuxin Fumeng County Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26-1-1-4, Building 26, Wenhua Road, Qiangmin Community, Fumeng County, Fuxin City, Liaoning Province"	0418-3590999	123100	0418-3590999
185		"Fuxin Xihe Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, Gate 3, No. 63, Dongfeng Road, Xihe District, Fuxin City, Liaoning Province"	0418-3392999	123000	0418-3392999
186		"Liaoyang Branch of Shengjing Bank Co., Ltd."	"No. 155, Wensheng Road, Baita District, Liaoyang City, Liaoning Province"	0419-3736789	111000	0419-3736789



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
187		"Liaoyang Hongwei Sub-Branch of Shengjing Bank Co., Ltd."	"Outlet on First Floor, No. 28, Jiankang Road, Hongwei District, Liaoyang City, Liaoning Province"	0419-3679345	111003	0419-3679345
188		"Liaoyang Baita Sub-Branch of Shengjing Bank Co., Ltd."	1 & 2/F, Jindi Mingzuo, No.92-9 Minzhu Road, Baita District, Liaoyang City, Liaoning Province	0419-3679356	111000	0419-3679356
189		"Tieling Branch of Shengjing Bank Co., Ltd."	"1-1, No.18 Yinzhou Road, Yinzhou District, Tieling City, Liaoning Province"	024-72276666	112000	024-72276666
190		"Tieling Yinzhou Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 1, Zone C East, Building 22, No. 11, Huiyuan Community, Chaihe Street, Yinzhou District, Tieling City, Liaoning Province"	024-76696666	112000	024-76696666
191		"Tieling Diaobingshan Sub-Branch of Shengjing Bank Co., Ltd."	"Beijindu Comprehensive Building, Trade Town East of Diaobingshan Street, Diaobingshan County-level City, Tieling City, Liaoning Province"	024-76516666	112700	024-76516666
192		"Tieling County Sub-Branch of Shengjing Bank Co., Ltd."	"Borun Lanting West Gate, No. 28-8-1, 28-8-2, 28-8-3 Changjiang Road, Tieling County, Tieling City, Liaoning Province"	024-76656666	112600	024-76656666
193		"Chaoyang Branch of Shengjing Bank Co., Ltd."	"No. 401, 102, 202 & 302 of G4 Outlet, Phase I Dongdu Jiayuan, North Street, Shuangta District"	0421-3999916	122000	0421-3999916
194		"Chaoyang Shuangta Sub-Branch of Shengjing Bank Co., Ltd."	"No.3-5, 3-6 and 3-7, Section 2, Zhujiang Road, Shuangta District, Chaoyang City, Liaoning Province"	0421-2730007	122000	0421-2730007
195		"Chaoyang Jianping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 59, Renmin Road, Jianping County, Chaoyang City, Liaoning Province"	0421-7868222	124000	0421-7868222
196		"Chaoyang Longcheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 69-1 & 69-2, Section 5, Wenhua Road, Longcheng District, Chaoyang City, Liaoning Province"	0421-3999939	122000	0421-3999939
197		"Panjin Branch of Shengjing Bank Co., Ltd."	"No. 136, Xinglongtai Street, Xinglongtai District, Panjin City"	0427-3290900	124000	0427-3290900
198		"Panjin Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 236, Taishan Road, Xinglongtai District, Panjin City"	0427-3267099	124000	0427-3267099
199		"Panjin Liaohe Oil Field Sub-Branch of Shengjing Bank Co., Ltd."	"Business Outlet No. 1-3 & 1-4, Xinyihe Community, Xinglongtai Street, Xinglongtai District, Panjin City"	0427-3291099	124000	0427-3291099
200		"Panjin Panshan Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Floor 1, Venture Building, No.8, Fuqian Street, Panshan County, Panjin City, Liaoning Province"	0427-3712199	124000	0427-3712199
201		"Panjin Shuangtaizi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 156, Shengli Street, Shuangtaizi District, Panjin City, Liaoning Province"	0427-3710880	124000	0427-3710880



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical		Business Address	Telephone	Postcode	Fax
	Region	Full name of institutions				
202		Panjin Taishan Road Sub-branch of Shengjing Bank Co., Ltd.	"No. 13, 14 and 15, Building 17, Yayuan Community, Kunlun Yunjing Phase II, Tianjia Town, Dawa District, Panjin City, Liaoning Province"	0427-3790999	124000	0427-3790999
203		"Huludao Branch of Shengjing Bank Co., Ltd."	"Building L & Building B, No. 145, Longwan Street, Longgang District, Huludao City, Liaoning Province"	0429-3023008	125000	0429-3023008
204		"Huludao Lianshan Sub-Branch of Shengjing Bank Co., Ltd."	"Building A, No. 5, Lianshan Street, Lianshan District, Huludao City, Liaoning Province"	0429-3077666	125000	0429-3077666
205		"Huludao Longgang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 28, Longwan Street, Longgang District, Huludao City"	0429-3122000	125000	0429-3122000
206		"Huludao Xingcheng Sub-Branch of Shengjing Bank Co., Ltd."	"Bihai Yaju Community, Diaoyutai Street Office, Xingcheng City, Liaoning Province"	0429-5677766	125000	0429-5677766
207		"Huludao Suizhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 11, Section 2, Central Road, Suizhong County, Huludao City, Liaoning Province"	0429-3258001	125000	0429-3258001
208		"Huludao Dongcheng Sub-Branch of Shengjing Bank Co., Ltd."	"Building A, B, C, No. 3-5, Fumin Street, Lianshan District, Huludao City, Liaoning Province"	0429-3220707	125000	0429-3220707
209		"Huludao Jianchang Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 3, 4, 5 & 6 Eastward, South of Tianxing Commercial & Residential Community, East Guangming Street (originally people' armed forces), Jianchang County, Huludao City, Liaoning Province"	0429-3305858	125000	0429-3305858
210		"Credit Card Center of Shengjing Bank Co., Ltd."	"Floor 39, Building 1, Xindi Center, No. 10, Youhao Street, Shenhe District, Shenyang City"	024-23323777-1056	110013	024-23323777-1056
211		"Capital Operation Center of Shengjing Bank Co., Ltd."	"No. 15, Baogong South Street, Tiexi District, Shenyang City"	024-86108234	110000	024-86108234
212		"Small Business Financial Service Center of Shengjing Bank Co., Ltd."	"M1, M2, M3, M4, M5, M6, M24, M25, M26, M27, M28, M29, M30, M31, No. 437-83 Hunnan East Road, Shenfu Demonstration Zone, Liaoning Province"	024-86108301	110101	024-86108301

DEFINITION

In this report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, the “Company”, “Shengjing Bank”, or “We”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“NFRA”	National Financial Regulatory Administration (formerly known as China Banking and Insurance Regulatory Commission)
“NFRA Liaoning Bureau”	Liaoning Bureau of the National Financial Regulatory Administration (formerly known as Liaoning Bureau of the China Banking and Insurance Regulatory Commission)
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	28 March 2024, being the latest practicable date prior to the publication for the purpose of ascertaining of certain information contained therein



DEFINITION (CONTINUED)

“Listing Date”	29 December 2014, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“PBOC”, “People’s Bank” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China
“Reporting Period”	the year ended 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Shenyang SASAC”	State-owned Assets Supervision and Administration Commission of Shenyang Municipal People’s Government
“State Council”	the State Council of the PRC
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent