



徽商银行股份有限公司
Huishang Bank Corporation Limited

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

STOCK CODE: 3698

2023 Annual Report

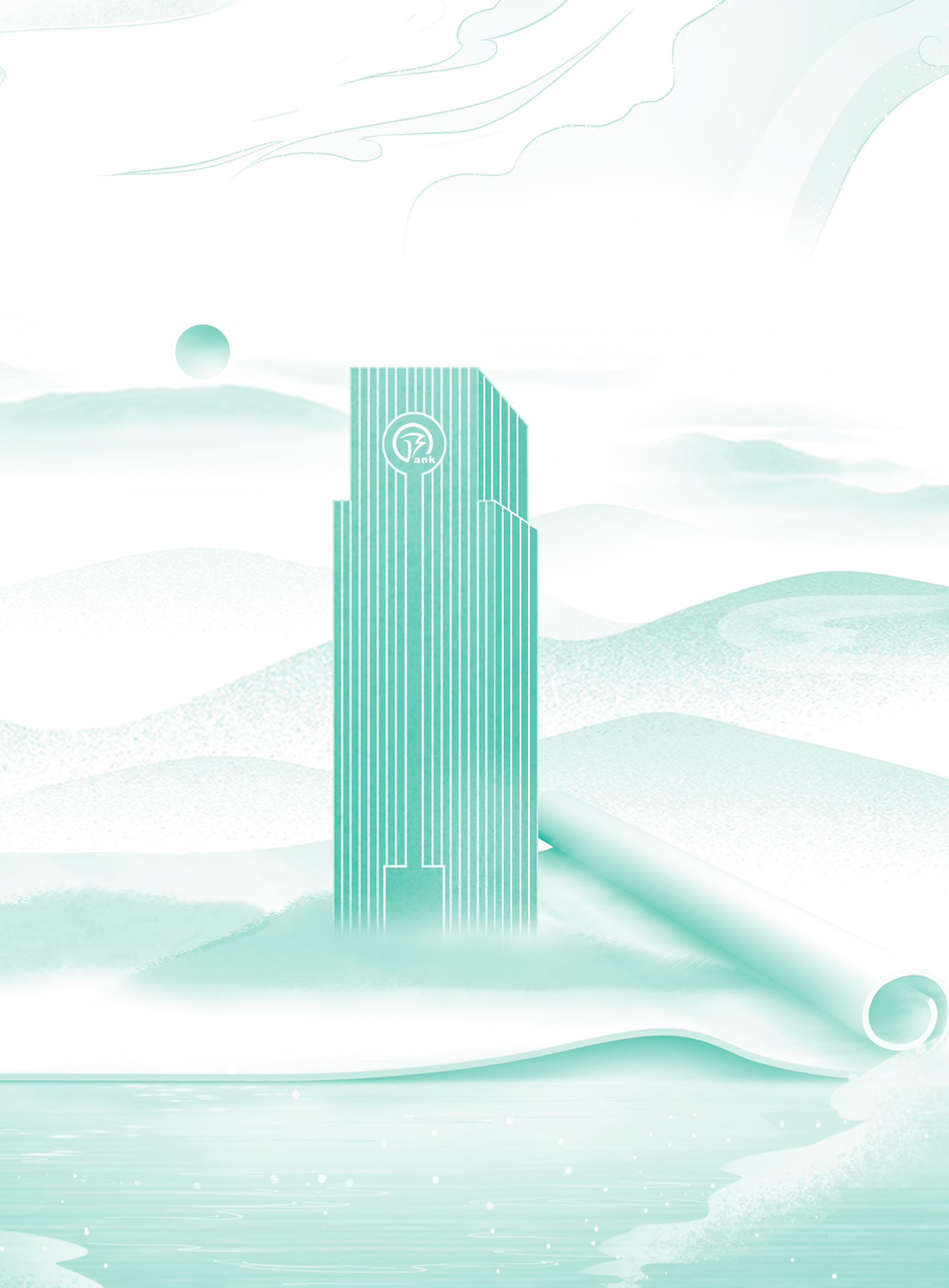


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The background features a series of horizontal, wavy bands in various shades of green, creating a sense of movement and depth. In the lower-left foreground, a large, three-dimensional scroll is partially unrolled, showing a white interior with a circular pattern. The overall aesthetic is clean, modern, and nature-inspired.

2023 Annual Report



Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Bank” or “Huishang Bank”	Huishang Bank Corporation Limited, including its subsidiaries and branches
“China” or “PRC”	the People’s Republic of China
“former CBIRC”	the former China Banking and Insurance Regulatory Commission
“CBRC” or “former CBRC”	the former China Banking Regulatory Commission
“former CBIRC Anhui Office”	the former China Banking and Insurance Regulatory Commission Anhui Office
“former CBRC Anhui Office”	the former China Banking Regulatory Commission Anhui Office
“PBOC”	the People’s Bank of China
“Domestic Shares”	the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00 per share
“H Shares”	the ordinary shares issued by the Bank to overseas investors, which are denominated in RMB, subscribed for in Hong Kong Dollars and listed on the Main Board of the Hong Kong Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“H Share Listing”	the listing of H Shares of the Bank on the Main Board of the Hong Kong Stock Exchange on 12 November 2013
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules (the former Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules)
“Latest Practicable Date”	the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its printing, i.e. 12 April 2024
“Reporting Period”	year 2023 (1 January 2023 to 31 December 2023)
“Rural Issues”	abbreviation for issues related to agriculture, rural areas and farmers
“Yuan” or “RMB”	Renminbi, the lawful currency of China. Unless otherwise specified herein, the currency used in this report shall be Renminbi
“US\$” or “U.S. Dollars”	U.S. dollars, the lawful currency of the United States
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS” or “International Financial Reporting Standards”	International Financial Reporting Standards
“Fair Value through Profit or Loss”	Fair Value through Profit or Loss

Chapter I Corporate Information

1.1 CORPORATE INFORMATION

- 1.1.1 Registered Chinese name: 徽商銀行股份有限公司¹
Registered English name: Huishang Bank Corporation Limited
- 1.1.2 Legal representative: Yan Chen
Authorized representatives: Yan Chen, Ngai Wai Fung
Secretary to the Board of Directors: Lian Baohua
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC
Tel: +86-551-62667806/65195721
Fax: +86-551-62667661
Postal code: 230092
Bank's website: www.hsbank.com.cn
E-mail: 96588@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: Ernst & Young Hua Ming LLP (Special General Partnership)
Office address: Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC
International auditor: Ernst & Young
Office address: 22/F, Citic Tower, 1 Tim Mei Avenue, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices
Legal advisor as to Hong Kong law: Clifford Chance
- 1.1.8 Domestic shares trustee agency: China Securities Depository and Clearing Corporation Limited
H share registrar: Computershare Hong Kong Investor Services Limited

Note: 1 Huishang Bank Corporation Limited is not an authorized 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 authorized to carry on banking/deposit-taking business in Hong Kong.

Chapter I Corporate Information

1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the former CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The Bank holds a financial institution license numbered B0162H234010001 from the former CBIRC Anhui Office and a business license with the unified social credit code numbered 913400001489746613 from the Anhui Provincial Market Supervisory Authority. The registered address is Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, the PRC. As of the end of 2023, the registered capital of the Bank was RMB13,889,801,211.

The business scope of the Bank includes banking business; securities investment funds custody; sales of publicly offered securities investment funds; foreign exchange settlement and sale business; and foreign exchange business. As of 31 December 2023, the Bank had 11,619 employees in service. Apart from its headquarters, the Bank has 21 branches, 465 front offices and 520 self-service areas (points). The Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., HSBank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interests in Chery Huiyin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank “serving the local economy, serving small and medium enterprises (the “SME(s)”) and serving the general public”, the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus winning the full recognition and widespread praise from all sectors of society. During 2023, the Bank was named one of the top 200 in the “Top 1000 World Banks” and the “Global Bank Brand Value Top 500” by The Banker, a UK magazine, with the ranking at No. 123 and No. 152, respectively; included in the list of “Top 500 Chinese Companies” and “Top 500 Listed Chinese Companies” by Fortune, with the ranking at No. 253 and No. 352, respectively; and ranked 25th among the “Top 40 Listed Companies with the Highest Net Profit Margin among Top 500 Listed Chinese Companies”.

Chapter I Corporate Information

1.3 AWARDS FOR 2023

In 2023, the Bank won numerous accolades and rewards in contests organized by domestic and international authorities and organizations:

Time	Reward	Awarding Agencies
January 2023	Top 10 State-owned Enterprises in Terms of Tax Contribution in Anhui	Anhui Provincial Party Committee and Anhui Provincial Government
January 2023	Second Prize in network positive energy works creation competition of "Regulation on Handling Public Complaints and Proposals" (《信訪工作條例》網絡正能量作品創作大賽二等獎)	National Public Complaints and Proposals Administration
February 2023	Excellent Unit of Petition Work in Anhui Province in 2022	Anhui Provincial Joint Conference on Petition Work
March 2023	Provincial Demonstration "Sunshine Home Baby-care Room" (省級示範"陽光家園母嬰室")	Anhui Federation of Trade Union
April 2023	Excellent Prize of Information Technology Application Innovation in 2022 (2022年信創工作優秀獎)	People's Bank of China
April 2023	Youth League Branch of Lu'an Yeji Sub-branch won 2022 May 4th Red Flag Youth League Branch of China (2022年度全國五四紅旗團支部)	Central Committee of the Communist Youth League
April 2023	Top 10 Reading Promotion Organizations	Publicity Department of Anhui Provincial Committee
May 2023	2023 Yangtze River Delta Mobile Banking APP Experience Potential Development TOP 5	Shanghai Finance Information Association & Analysys Qianfan
May 2023	Class A Taxpayer for Tax Credit Rating	Anhui Provincial Tax Service, State Taxation Administration
May 2023	Youth League Committee of Bengbu Branch was awarded Anhui Provincial May Fourth Red Flag Youth League Committee in 2022	Anhui Provincial Committee of the Communist Youth League
May 2023	Youth League Branch of Tongling Zongyang Sub-Branch was awarded Provincial May Fourth Red Flag Branch in 2022	Anhui Provincial Committee of the Communist Youth League
June 2023	Chuzhou Longpan Road Sub-Branch was awarded Anhui Provincial Youth Civilization Unit for 2022	Organizing Committee of the Activity of Youth Civilization Creation in Anhui Province
June 2023	Party Branch of Anqing Development Zone Sub-Branch and Party Branch of Xuancheng Aofeng Road Sub-Branch were awarded the Advanced Grass-roots Party Organization of the provincial enterprises	Anhui SASAC Party Committee
June 2023	Wuhu Nanling Sub-branch was awarded Top 100 Demonstration Units of Civilized and Standardized Service in Banking Outlets in 2022	China Banking Association
August 2023	Outstanding Organization for Data Quality in the Credit Reference System (Individual Business)	Credit Reference Center, the People's Bank of China

Chapter I Corporate Information

Time	Reward	Awarding Agencies
August 2023	The announcement of the evaluation results of Provincial Financial Institutes Serving the Development of Local Real Economies in 2022 - "Excellent" Level in Provincial Financial Institutes Serving the Local Real Economies	Financial Work Leading Group of Anhui Province
October 2023	"Excellent Organization Award" in the third "Quality Project on Anhui Incorruptible Culture" works collection activity	Discipline Inspection of the CPC Anhui Provincial Commission Anhui Oversight Commission
October 2023	The documentary "Azalea Blossom" jointly submitted by the Bank, the Organization Department of Anqing Municipal Party Committee and the Organization Department of Yuexi County was awarded the First Prize and the Best Photography Award in the Sixteenth Provincial Party Members' Educational Telefilm Observation and Exchange Activity	Organization Department of the Anhui Party Committee
November 2023	The "Catharanthus roseus" brand logo designed by the Bank was selected by Anhui branch of the People's Bank of China to be promoted throughout the province	Anhui branch of the People's Bank of China
November 2023	Bengbu Branch's Rural Revitalization Promotional Video "The Way Home" won the First Prize of Anhui Province's "consolidating and expanding the achievements in poverty alleviation and comprehensively promoting rural revitalization" Theme Works	Publicity Department of Anhui Provincial Committee
December 2023	"Application Case of Intelligent Voice Technology in Bank Settlement Account Management" won the "Top Ten Excellent Case Award of the Year" in the Urban Financial Services Excellent Case Selection Activity	City Commercial Banks Clearing Co., Ltd.
December 2023	Provincial Excellent Company in the Reform Work of "Performance Evaluation on Efficiency Per Mu"	Office of the Anhui Province Joint Conference on Evaluation on Efficiency Per Mu
December 2023	Excellent Organization Prize of 2023 Internal Audit Theory Seminar	Anhui Institute of Internal Audit
December 2023	Two papers won the Second Prize in 2023 Internal Audit Theory Seminar and one paper won the Third Prize in 2023 Internal Audit Theory Seminar	Anhui Institute of Internal Audit
December 2023	Best Security Management Demonstration Unit of the Year for Mobile Financial Client	National Financial Technology Certification Center (Beijing)
December 2023	Excellence Award of UnionPay Cards Products Cooperation	China UnionPay Co., Ltd.
December 2023	"New Generation Digital and Intelligent Operation Risk Monitoring Platform Construction" won the "Risk Management Innovation Excellent Case Award" in the Outstanding Cases of Urban Financial Services in 2023	City Commercial Banks Clearing Co., Ltd.

Chapter I Corporate Information

Time	Reward	Awarding Agencies
December 2023	"Constructing the Digital Monitoring System for Payment Systems" won the "Top Ten Urban Financial Services Excellent Case Award" in the Outstanding Cases of Urban Financial Services in 2023	City Commercial Banks Clearing Co., Ltd.
December 2023	The 4th Yangtze River Delta Fintech Innovation & Application Global Competition: Best Innovation Award for Financial Institutions (Huishang Bank's Mobile Banking "Housing Manager e-Account (房管家 e 賬通)" Project)	Yangtze Delta Region Fintech Institute and Financial Computerizing Magazine
December 2023	"Digital Finance Joint Publicity Year" - Overall Excellence Award of the Year	China e-Banking Network China Financial Certification Authority (CFCA)
December 2023	National Top 5 in the New Service Track in "Customer Service Center and Remote Banking Digital and Innovation Application Contest in 2023" (intelligent voice robot)	China Banking Association
December 2023	Provincial Financial Institutions Advanced Units in Fiscal Financial Business and Financial Statements of Financial Institutions in 2022	Anhui Provincial Department of Finance
December 2023	The Research on the Impact of Green Credit on the Competitiveness of Commercial Banks won the "Third Prize for Scientific Research Achievements of the Finance and Accounting Committee of Sichuan Association of Finance in 2023"	Finance and Accounting Committee of Sichuan Association of Finance
December 2023	The Research and Practice on the Effectiveness of Suspicious Transaction Syndicate Mining Based on Complex Network Model won the Second Prize in the Provincial Anti-Money Laundering Essay Contest in 2023	Anhui branch of the People's Bank of China
December 2023	China Enterprise Benchmark Learning Platform 2023 Best Practice Program in Strategy Execution Award	China Enterprise Benchmark Learning Platform Committee
December 2023	Outstanding Participating Organization of the "Digital Supply Chain Financial Services Platform"	National Clearing Center of the People's Bank of China
December 2023	"Employee's Book Club" of Anhui Federation of Trade Unions	Anhui Federation of Trade Unions
December 2023	"Excellent Contributing Member"	City Commercial Banks Clearing Co., Ltd.
December 2023	Group First Prize of Anhui Financial System Banking Comprehensive Business Skills Competition	Anhui Working Committee of Chinese Financial Workers' Union
December 2023	No. 1 Bank in the Industry, Most Satisfactory Bank by Residents and Top Ten Most Satisfactory Enterprises in Fulfilling Social Responsibility	Anhui Center for Provincial Survey

Chapter II Summary of Accounting Data and Business Data

2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

	2023	2022	Changes over the corresponding period of last year +/(-)%
Operational results			
Operating income ⁽¹⁾	36,365	36,230	0.37
Profit before tax	17,657	17,315	1.98
Net profit	14,991	13,683	9.56
Net profit attributable to shareholders of the Bank	14,433	13,398	7.73

Unit: RMB, except for percentages

	2023	2022	Changes over the corresponding period of last year +/(-)%
Per ordinary share			
Basic earnings attributable to shareholders of the Bank	1.00	0.93	7.53
Diluted earnings attributable to shareholders of the Bank	1.00	0.93	7.53
Closing net assets attributable to shareholders of the Bank	8.85	7.89	12.17

Unit: RMB million, except for percentages

	31 December 2023	31 December 2022	Changes over the corresponding period of last year +/(-)%
Scale indicators			
Total assets	1,806,144	1,580,236	14.30
Including: Total loans and advances to customers ⁽²⁾	874,223	764,309	14.38
Total liabilities	1,659,417	1,457,414	13.86
Including: Total customer deposits ⁽³⁾	1,020,158	894,156	14.09
Equity attributable to shareholders of the Bank	142,983	119,608	19.54

Notes: (1) Operating income comprises net interest income, net fee and commission income, net trading income, net income from financial investments, dividend income and other operating income, net.

(2) Accrued interest and provision for impairment are not included in total loans and advances to customers.

(3) Accrued interest is not included in total customer deposits.

Chapter II Summary of Accounting Data and Business Data

2.2 FINANCIAL RATIOS

	2023	2022	Unit: % Changes over the end of last year +/-(-)
Profitability indicators			
Return on average total assets (ROA)	0.89	0.92	(0.03)
Return on average net assets (ROE)	12.52	12.77	(0.25)
Net interest spread	1.65	1.88	(0.23)
Net interest margin	1.88	2.11	(0.23)

	2023	2022	Unit: % Changes over the end of last year +/-(-)
Proportion of operating income			
Net interest income	78.98	79.23	(0.25)
Net non-interest income	21.02	20.77	0.25
Cost-to-income ratio ⁽¹⁾	28.05	26.15	1.90

	31 December 2023	31 December 2022	Unit: % Changes over the end of last year +/-(-)
Asset quality indicators			
Non-performing loan ratio	1.26	1.49	(0.23)
Allowance to non-performing loan ratio	271.94	276.57	(4.63)
Allowance to loans ratio	3.43	4.11	(0.68)

	31 December 2023	31 December 2022	Unit: % Changes over the end of last year +/-(-)
Capital adequacy indicators			
Core Tier 1 capital adequacy ratio	9.14	8.60	0.54
Capital adequacy ratio	13.21	12.02	1.19

	31 December 2023	31 December 2022	Unit: % Changes over the end of last year +/-(-)
Other indicators			
Equity to total assets ⁽²⁾	8.12	7.77	0.35
Gearing ratio ⁽³⁾	91.88	92.23	(0.35)

Notes: (1) Cost-to-income ratio = Operating expenses/Operating income, of which operating expenses include tax and surcharges.

(2) Equity includes minority interests.

(3) Gearing ratio = Total liabilities/Total assets.

Chapter II Summary of Accounting Data and Business Data

2.3 FIVE-YEAR FINANCIAL SUMMARY

	2023	2022	2021	2020	2019
Results for the year (RMB thousand)					
Operating income	36,365,340	36,229,641	35,514,404	32,290,398	31,159,318
Operating expenses	(10,199,368)	(9,474,462)	(8,684,416)	(7,654,324)	(7,091,775)
Impairment loss	(8,798,338)	(9,661,991)	(13,547,917)	(12,196,860)	(11,920,086)
Profit before tax	17,656,906	17,315,141	13,537,317	12,082,696	12,300,817
Net profit attributable to shareholders of the Bank	14,433,227	13,397,600	11,460,383	9,569,720	9,818,780
Per ordinary share (RMB)					
Dividends	0.146⁽¹⁾	0.129	0.089	0	0.157
Basic earnings	1.00	0.93	0.76	0.72	0.78
Diluted earnings	1.00	0.93	0.76	0.72	0.78
Closing net assets attributable to shareholders of the Bank	8.85	7.89	7.10	6.27	5.86
At year end (RMB thousand)					
Paid-in capital stock (share capital) ⁽²⁾	13,889,801	13,889,801	13,889,801	13,889,801	12,154,801
Total equity attributable to shareholders of the Bank	142,983,077	119,607,642	108,563,985	103,041,067	87,208,997
Total liabilities	1,659,416,708	1,457,414,028	1,272,146,180	1,166,028,059	1,042,227,609
Total customer deposits ⁽³⁾	1,020,158,374	894,156,087	768,667,657	712,953,097	593,834,104
Total assets	1,806,143,550	1,580,235,686	1,383,661,831	1,271,700,698	1,131,721,238
Total loans and advances to customers ⁽⁴⁾	874,222,595	764,309,054	654,795,121	572,953,641	463,985,119
Key financial ratios (%)					
Return on average total assets	0.89	0.92	0.89	0.83	0.92
Return on average net assets	12.52	12.77	12.33	12.94	14.60
Cost-to-income ratio	28.05	26.15	24.45	23.71	22.76
Non-performing loan ratio	1.26	1.49	1.78	1.98	1.04
Core Tier 1 capital adequacy ratio	9.14	8.60	8.45	8.04	8.85
Capital adequacy ratio	13.21	12.02	12.23	12.12	13.21

Notes: (1) Please refer to Section 6.23 "Profit and Dividends" in this annual report for details.

(2) For details of the share capital of the Bank, please refer to Section 7.1 "Changes in Ordinary Shares of the Bank during the Reporting Period" of this annual report and Note 40 to the financial statements.

(3) Accrued interest is not included in total customer deposits.

(4) Accrued interest and provision for impairment are not included in total loans and advances to customers.

Chapter III Chairman's Statement



Yan Chen

Executive Director, Chairman

Chapter III Chairman's Statement

The year 2023 ushered in the comprehensive implementation of the spirit of the 20th National Congress of the CPC. When looking back at it, one would consider 2023 an extraordinary and tough year. In the face of the complex and volatile internal and external situations, Huishang Bank resolutely implemented the decisions and plans of the Provincial Party Committee and the Provincial People's Government of Anhui Province, fully reinforced Party building, and continued advancing transformation. Hence the Bank's business performance has been steadily improved with its core competence consistently boosted. All employees stayed positive and energetic and the Bank has steadily moved on to a new stage of building and developing an outstanding local mainstream bank. All these were achieved under the correct leadership of the Provincial Party Committee and the Provincial People's Government of Anhui Province, the precise instructions of regulatory authorities, and the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era.

As at the end of 2023, Huishang Bank recorded total assets of RMB1.8 trillion, representing an increase of 14.3% or 300 billion yuan year over year. Particularly, total loans exceeded RMB874.2 billion and total investments amounted to RMB685.7 billion, representing an increase of 14.4% and 14.8%, respectively. Operating income maintained positive growth and net profit amounted to nearly RMB15 billion.

Over the past year, the leading role of the Bank's Party building has achieved remarkable results. In Party building, political efforts remain our top priority. We held thematic workshops by stringing theoretical learning together with investigation and research, promotion of development, and review and rectification in an integrated way, which won us the title of "benchmark unit" for the first batch of thematic workshops. The second Party member congress was held to elect a new session of the Party committee, which initiated our new journey to build an outstanding local mainstream bank. The leadership of the Bank's Party committee has been underscored in the formulation and execution of our strategies, which further clarified our strategic positioning and implementation path for serving the high-quality development of Anhui Province. We have been actively participating in Anhui Province's construction of "Three Places and One District" and "Seven Strong Provinces".

Over the past year, we made breakthroughs when accelerating transformation and innovation. We demanded high standards from the planning and implementation of projects for transformation and improvement in nine major areas to fully forward our transformation and development. As transformation progressed, we nurtured pioneering advantages by doubling down on our strengths and shoring up our deficiencies. We vigorously promoted integrated operations and capital-lite transformation. Synergy among the segments of our investment business continued to deepen. In particular, the size of the joint operation between the investment banking business and the underwriting business as well as the investment banking business and the custody business hit a record high; the balance of assets under custody exceeded one trillion yuan; and the integration between the operations of the Bank and its financial leasing arm was raised to a higher level. The construction of our digital banking has picked up pace and the planned fintech projects have been implemented in an orderly manner. The cloud platform for Internet-based finance and the mobile platforms for individual operation have been put into operation. The integration mechanism of business and technology has been gradually improved. We continued to carry out the research and development of various digital risk control models; our capability of in-house R&D of IT systems has been steadily improved, with risks more under control.

Chapter III Chairman's Statement

Over the past year, our risk control and internal control have been strengthened continuously. We put equal emphasis on financial corruption punishment and financial risk prevention and control, while reinforcing political supervision. The asset quality of the Bank has improved significantly. The asset quality indicators have achieved a "double decline" for three consecutive years; particularly, the non-performing loan ratio was 1.26%, representing a decrease of 0.72 percentage point in the past three years. The system of internal balanced control has been continuously promoted and the digitalized compliance management has been proceeding in well-ordered steps. We upgraded the unified credit facilities management of group customers, strengthened control over credit facilities large in amount, and expedited the simplification of the approval process. To build a team of cadres who are loyal, honest and responsible on all fronts, we strictly complied with the political criteria for the selection and employment of personnel. Moreover, we carried out training and learning sessions in various forms and at various levels for our cadres, so they could further understand our intention to build a learning organization and research-based bank and became more competent to perform their duties.

Looking back on the past year, we credit our achievements to the support and trust of all sectors of society, myriad investors, and numerous customers, and these achievements best demonstrate the concerted dedication and real work of all our staff.

Crucial for the implementation of the national "14th Five-Year" Plan, the year 2024 is also important for Huishang Bank to achieve the goals and tasks of its current five-year strategic plan and will witness breakthroughs made by the Bank in transformation. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will fully implement the spirits of the 20th National Congress of the CPC, the central economic work conference, and the central financial work conference. We will earnestly implement the plans of the Fifth and Sixth Plenary Sessions and the economic work conference of the 11th Session of the Provincial Party Committee of Anhui Province and the policy requirements of the regulatory authorities. Following the leadership of the Party and bearing people's interests in mind, we will apply the principle of seeking progress while maintaining stability and promoting stability with progress in our day-to-day financial work. We will accelerate reform and innovation, deepen transformation and development and do our utmost to develop technology finance, green finance, inclusive finance, pension finance and digital finance. With real and hard work, the determination to break through, and the spirit to innovate, we will make strides in building an outstanding local mainstream bank and inject powerful financial impetus into Anhui Province's "Three Places and One District" and "Seven Strong Provinces" initiatives. To accomplish all these, we will be guided by the Bank's Party building, focusing on the improvement projects in nine areas proposed by the Bank's Party committee, with the comprehensive enhancement of professional capabilities at the top of our agenda.

Yan Chen

Executive Director, Chairman

Chapter IV President's Statement



 Kong Qinglong
Executive Director, President

Chapter IV President's Statement

2023 marks the first year of the full and thorough implementation of the guiding principle of the 20th National Congress of the CPC and also an extraordinary year for the development history of Huishang Bank. During the year, the senior management adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and further carried out thematic workshops to earnestly study how to rigorously implement the guiding principles of the 20th National Congress of the CPC, the central economic work conference, and the central financial work conference. Focusing on the implementation of projects for transformation and improvement in nine major areas proposed by the Bank's Party committee, the senior management built up the Bank's main and peripheral business operations, which was piloted by digital and intelligent development. The senior management coordinated the Bank's activities on refined management, intensive operation, professional risk control, and digital and intelligent systems, hence a jump in the high-quality development of Huishang Bank to a new stage.

Remaining resolved, we rose to the challenges to attain a higher level of operation and development. We understand it is hard to strike a balance between short-term targets and long-range targets, scale and efficiency, as well as direction and speed, but that is what we have to do with determination to continuously enhance the core competencies of Huishang Bank. Our operations have experienced a significant expansion. Our total assets exceeded RMB1.8 trillion, representing an increase of 14.3% or 300 billion yuan during the year. Our total loans were over RMB874.2 billion, representing an increase of 14.4%. The deposits taken through our main business operations exceeded one trillion yuan and our Core Tier 1 capital surpassed 100 billion yuan. With the operating income maintaining positive growth, we recorded a net profit of nearly RMB15 billion and overfulfilled the operation plans developed by the Board of Directors. Our brand image has been markedly enhanced through the following achievements. We successfully undertook the Yangtze River Delta Financial Integration Forum and the Yangtze River Delta Joint Conference of Urban Commercial Banks. We issued RMB40 billion of financial bonds, reaching an all-time high in terms of issue size. We ranked 123rd among the top 1000 world banks and 24th among the top 100 Chinese banks, up five places and one place as compared with last year, respectively. Our customer services have been better delivered in all aspects. The numbers of quality personal customers and corporate deposit accounts were increased. Making use of the synergy of the Group, we put continuous efforts into the joint operation of our investment banking business, underwriting business, custody business and agency sales business, with the total assets under custody exceeding one trillion yuan. We were recognized as Excellent Bond Underwriter (卓越承銷商) and presented with Special Contribution Award (特別貢獻獎) by China Development Bank for the first time. Nanling Sub-branch in Wuhu municipality, Anhui Province won the title of national "Top 100 Banking Outlets".

Staying true to our original aspirations, we undertook the mission to serve the real economy with more consideration. Taking serving the real economy as our fundamental purpose, we further followed the leadership of the Party and always bore people's interests in mind when dealing with financial work and fully completed the task of granting loans to the manufacturing industry, the strategic and emerging industries, green finance and other fields. We have been serving the development of the highest priority industry of Anhui Province. Specifically, we founded a special group to lead the promotion of the new-energy vehicle industry cluster and set up special sub-branches to support the development of new-energy vehicles. Over RMB78.5 billion of credit facilities were granted to the new-energy vehicle industry with 1,285 upstream and downstream enterprises funded, representing an increase of over 20% in terms of credit limit and the number of accounts under service contracts. We have been building a featured fintech brand. We played an active role in serving new quality productive forces. Particularly, the balance of loans to technology-driven enterprises amounted to RMB76.44 billion with 6,617 accounts funded, representing an increase of 53.7%; the business volume of the programs under our "Common Development Plan (共同成長計劃)" and "Collective Loan Extension (貸投批量聯動)" initiative ranked us first among the financial institutions in Anhui Province. We have been furnishing private enterprises and small and micro enterprises with targeted financial services. In particular, we engaged with private entrepreneurs through symposiums; and the balance of the loans to private enterprises amounted to RMB164.8 billion. The balance of loans to small and micro enterprises under our inclusive financial services amounted to RMB130.52 billion, representing an increase of 24.8%. We expanded the business of lending to industrial parks (園區貸) by providing RMB5.47 billion of funds for 1,365 enterprises operating in industrial parks. We have been a champion of the rural revitalization strategy to the backbone. To be specific, the balances of loans to rural revitalization projects and projects related to agriculture, rural areas, and farmers amounted to RMB54.26 billion and RMB228.48 billion, representing an increase of 34.9% and 25.5%, respectively. The balances of deposits and loans of county-level institutions amounted to RMB238.88 billion and RMB252.26 billion, representing an increase of 20.6% and 23.9%, respectively.

Chapter IV President's Statement

Keeping pace with the times, we stayed righteous and innovative to promote reform and transformation in depth. To fully create new advantages for development, we deepened financial supply-side structural reform while planning and promoting projects for transformation and improvement in nine major areas with high standards. We have achieved effective fin-tech empowerment. Particularly, having worked out a strategic plan on financial technology, we launched and implemented 83 planned projects to speed up the construction of data middle office and remote banking and put 26 systems into operation, such as the cloud platform for Internet-based finance and the mobile terminal for the individual customer management platform, thus promoting the integration of business with technology at a faster pace and the digital transformation swiftly and steadily. We have successively debuted innovative product offerings. In particular, we introduced innovative products or services such as operating fixed asset loans, lending to Industrial parks and Lending to Equipment Purchase; we were the first urban commercial bank in the PRC to complete the redemption of bonds under asset securitization and among the first batch of investors participating in the subscription of the southbound bonds in the primary market, launched convenient medical insurance services which enable residents to deal with relevant matters in nearby banks within 15 minutes, and introduced the first local bond portfolio in Anhui Province, during which our development has been gaining momentum. Our business in key areas has been on a trajectory of growth during transformation. The balance of supply chain finance, total loans granted, and the number of accounts all doubled, and the balance of loans and total loans granted both exceeded 10 billion yuan for the first time. The value of bonds issued through our investment banking services reached RMB54.13 billion, representing an increase of 130% and our ranking in this regard was vigorously advanced in the market.

Adhering to the principle of firmly committing to the bottom line, we conducted operations in compliance with regulations and adopted stronger measures to administer internal governance. How to better prevent and control risks remains an eternal topic for financial work. To address risks, we have been doing our best to maintain the overall security and stability of regional finance. Our comprehensive risk control system has become more robust. We established the Model Review Committee, issued 11 risk management systems and measures, and continued to reinforce the risk management of key business operations, hence a remarkable enhancement of our risk control capability. We ensured that our employees had undertaken their share of production safety responsibility and no material production safety incidents occurred throughout the year. Our risk prevention and mitigation have delivered fruitful results. Specifically, by reducing the existing and controlling the new, the amounts and ratios of non-performing assets, non-performing loans and past due loans all declined, the asset quality has been improved significantly, and all risk indicators fully met the standards. Our internal control and compliance management have continued to deepen. We strictly implemented regulatory requirements by carrying out special inspections on internal control compliance, outsourcing, seal management, centralized procurement, and financial expenses to promote the stable operation of various operating and management activities. We launched a new-generation risk management system for internal control compliance; all our branches reformed their anti-money laundering operation models; we have met the highest standard for implementation of relevant regulations of the People's Bank of China for four consecutive years and therefore were praised. Our basic internal management has been strong and effective. We set a price limit to manage loan pricing and bolstered the refined management of deposit pricing. We released a number of strict cost-saving measures and effectively reduced deferred income tax assets. We provided employees with training on the new capital regulations and built a capital management system to facilitate the smooth transition to and successful implementation of the new capital regulations bankwide.

Luck and success always favor those who work hard. In 2024, we will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Leveraging the leading role of Party building, we will focus on enhancing our professional capabilities in all respects, expedite reform and innovation, deepen transformation and development, and strive to do a good job of developing technology finance, green finance, inclusive finance, pension finance and digital finance. On the path of financial development with Chinese characteristics, we will repay shareholders and society with excellent operating performance and pay tribute to the 75th anniversary of the founding of the People's Republic of China with even more outstanding results.

Kong Qinglong

Executive Director, President

Chapter V Management Discussion and Analysis

5.1 OVERALL BUSINESS REVIEW

In 2023, facing the complex and changing internal and external situations, the Bank adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively strengthened the construction of the Party, continued to promote transformation and development of the Bank, and made steady progress in performance and steadily entered a new stage of the construction and development of an excellent local mainstream bank.

As of 31 December 2023, the total assets of the Bank were RMB1,806,144 million, representing an increase of RMB225,908 million or 14.30% as compared with the end of last year. Among them, total loans and advances to customers were RMB874,223 million, representing an increase of RMB109,914 million or 14.38% as compared with the end of last year. Total liabilities were RMB1,659,417 million, representing an increase of RMB202,003 million or 13.86% as compared with the end of last year. Among them, total customer deposits were RMB1,020,158 million, representing an increase of RMB126,002 million or 14.09% as compared with the end of last year.

In 2023, the Bank realized an operating income of RMB36,365 million, representing an increase of RMB135 million or 0.37% as compared with the same period of last year; net profit was RMB14,991 million, representing an increase of RMB1,308 million or 9.56% as compared with the same period of last year.

As at the end of 2023, the Bank's non-performing loan balance was RMB11,022 million, representing a decrease of RMB339 million as compared with the end of last year. Non-performing loan ratio was 1.26%, representing a decrease of 0.23 percentage point as compared with the end of last year. Non-performing loan provision coverage ratio was 271.94%, representing a decrease of 4.63 percentage points as compared with the end of last year.

5.2 ANALYSIS OF INCOME STATEMENT

5.2.1 Summary of financial performance

In 2023, the Bank realized profit before tax of RMB17,657 million, representing an increase of RMB342 million or 1.98% as compared with the same period of last year. The effective income tax rate was 15.10%, representing a decrease of 5.88 percentage points as compared with the same period of last year.

	<i>Unit: RMB million</i>	
	2023	2022
Net interest income	28,720	28,705
Net fee and commission income	2,805	4,180
Other net income	4,840	3,345
Operating expenses	10,199	9,474
Impairment losses	8,798	9,662
Net income from investment in associates	289	221
Profit before income tax	17,657	17,315
Income tax	2,666	3,632
Net profit	14,991	13,683
Net profit attributable to shareholders of the Bank	14,433	13,398

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.2 Net interest income

In 2023, the Bank's net interest income amounted to RMB28,720 million, representing an increase of RMB15 million or 0.05% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB3,919 million in net interest income and changes in interest rates resulted in a decrease of RMB3,904 million in net interest income. In 2023, each of the net interest spread and net interest yield of the Bank was 1.65% and 1.88%, both representing a decrease of 23 basis points as compared with the same period of last year.

The following table sets forth the average balances, interest income and interest expenses, and annualized average yield and cost ratio of the Bank's interest-earning assets and interest-bearing liabilities for the periods indicated.

Unit: RMB million, except for percentages

	2023			2022		
	Average Balance ⁽¹⁾	Interest Income	Average Yield (%)	Average Balance ⁽¹⁾	Interest Income	Average Yield (%)
Interest-earning assets						
Loans and advances to customers	840,513	38,227	4.55	714,253	35,224	4.93
Securities investments	497,886	19,729	3.96	463,421	19,336	4.17
Balances with central bank	82,965	1,231	1.48	80,454	1,150	1.43
Deposits and placements with banks and other financial institutions	77,940	1,526	1.96	63,397	1,101	1.74
Financial leasing	61,278	4,279	6.98	57,955	4,151	7.16
Total interest-earning assets and interest income	1,560,582	64,992	4.16	1,379,480	60,962	4.42

Note: (1) Average balance represents the daily average balance.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.2 Net interest income (Continued)

Unit: RMB million, except for percentages

Items	2023			2022		
	Average Balance	Interest Expenses	Average Cost Ratio (%)	Average Balance	Interest Expenses	Average Cost Ratio (%)
Interest-bearing liabilities						
Borrowings from central bank	82,625	2,063	2.50	63,228	1,611	2.55
Customer deposits	1,002,368	21,977	2.19	851,473	18,711	2.20
Deposits and placements from banks and other financial institutions ⁽¹⁾	278,331	7,146	2.57	263,512	6,809	2.58
Bonds issued	196,160	5,085	2.59	193,137	5,126	2.65
Total interest-bearing liabilities and interest expenses	1,559,484	36,272	2.33	1,371,350	32,258	2.35
Net interest income	-	28,720	-	-	28,705	-
Net interest spread⁽²⁾	-	-	1.65	-	-	1.88
Net interest margin⁽²⁾	-	-	1.88	-	-	2.11

Notes: (1) Deposits from insurance companies are included in the item of deposits and placements from banks and other financial institutions for presenting.

(2) After the adoption of new accounting standards for financial instruments, gains from the holding of financial assets at fair value through profit or loss will no longer be recorded as interest income. Net interest spread and net interest margin shall be calculated in accordance with interest income (after adjustment).

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.2 Net interest income (Continued)

The following table sets forth the changes in interest income and expenses of the Bank caused by the changes in scale and interest rates for the period indicated.

Unit: RMB million

	2023 vs 2022		Net increase/ (decrease)
	Increase/(decrease) factors ⁽¹⁾		
	Scale	Interest rate	
Assets			
Loans and advances to customers	6,227	(3,224)	3,003
Securities investments	1,438	(1,045)	393
Balances with central bank	36	45	81
Deposits and placements with banks and other financial institutions	253	172	425
Financial leasing	238	(110)	128
Changes in interest income	8,192	(4,162)	4,030
Liabilities			
Borrowings from central bank	494	(42)	452
Customer deposits	3,316	(50)	3,266
Deposits and placements from banks and other financial institutions	383	(46)	337
Bonds issued	80	(121)	(41)
Changes in interest expenses	4,273	(259)	4,014
Changes in net interest income	3,919	(3,904)	15

Note: (1) The changes in scale were measured by the changes in average balances; while changes in interest rates were measured by changes in average interest rates. The changes caused by a combination of scale changes and interest rate changes were included in interest rate changes.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.3 Interest income

In 2023, the Bank's interest income amounted to RMB64,992 million, representing an increase of RMB4,030 million or 6.61% as compared with the same period of last year.

Interest income from loans and advances

In 2023, the Bank's interest income from loans and advances to customers amounted to RMB38,227 million, representing an increase of RMB3,003 million or 8.53% as compared with same period of last year, among which expansion of the scale drove an increase of RMB6,227 million in interest income from loans and advances to customers and changes in interest rates resulted in a decrease of RMB3,224 million in interest income from loans and advances to customers.

The following table sets forth the average balances, interest income and annualized average yields on each component of the Bank's loans and advances to customers for the periods indicated.

Unit: RMB million, except for percentages

	2023			2022		
	Average Balance	Interest Income	Average Yield (%)	Average Balance	Interest Income	Average Yield (%)
Corporate loans	553,131	24,612	4.45	428,279	20,610	4.81
Personal loans	250,437	13,065	5.22	235,814	13,612	5.77
Discounted bills	36,945	550	1.49	50,160	1,002	2.00
Loans and advances to customers	840,513	38,227	4.55	714,253	35,224	4.93

Interest income from securities investments

In 2023, the Bank's interest income from securities investments was RMB19,729 million, representing an increase of RMB393 million or 2.03% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB1,438 million in interest income from securities investments and changes in interest rates resulted in a decrease of RMB1,045 million in interest income from securities investments.

Interest income from deposits and placements with banks and other financial institutions

In 2023, the Bank's interest income from deposits and placements with banks and other financial institutions was RMB1,526 million, representing an increase of RMB425 million or 38.60% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB253 million in interest income from deposits and placements with banks and other financial institutions while changes in interest rates resulted in an increase of RMB172 million in interest income from deposits and placements with banks and other financial institutions.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.4 Interest expenses

In 2023, the Bank realized interest expenses amounting to RMB36,272 million, representing an increase of RMB4,014 million or 12.44% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB4,273 million in interest expenses while changes in interest rates resulted in a decrease of RMB259 million in interest expenses.

Interest expense on customer deposits

In 2023, the Bank's interest expense on customer deposits was RMB21,977 million, representing an increase of RMB3,266 million or 17.45% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB3,316 million in interest expense on customer deposits and changes in interest rates resulting in a decrease of RMB50 million in interest expense on customer deposits.

The following table sets forth the average balance, interest expenses and annualized average cost ratio of the Bank's corporate deposits and personal deposits for the periods indicated.

Unit: RMB million, except for percentages

	2023			2022		
	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)
Corporate deposits						
Demand deposits	275,992	2,774	1.01	267,225	2,486	0.93
Time deposits	181,530	5,312	2.93	182,639	5,639	3.09
Sub-total	457,522	8,086	1.77	449,864	8,125	1.81
Personal deposits						
Demand deposits	82,352	413	0.50	75,204	459	0.61
Time deposits	410,496	12,502	3.05	274,757	9,088	3.31
Sub-total	492,848	12,915	2.62	349,961	9,547	2.73
Others ⁽¹⁾	51,998	976	1.88	51,648	1,039	2.01
Total customer deposits	1,002,368	21,977	2.19	851,473	18,711	2.20

Note: (1) Other deposits include margin deposits and credit card deposits, etc.

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

In 2023, interest expense on deposits and placements from banks and other financial institutions was RMB7,146 million, representing an increase of RMB337 million or 4.95% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB383 million in interest expense on deposits and placements from banks and other financial institutions while changes in interest rates resulted in a decrease of RMB46 million in interest expense on deposits and placements from banks and other financial institutions.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.4 Interest expenses (Continued)

Interest expense on bonds issued

In 2023, interest expense on bonds issued was RMB5,085 million, representing a decrease of RMB41 million or 0.80% as compared with the same period of last year, among which expansion of the scale drove an increase of RMB80 million in interest expense on bonds issued while changes in interest rates resulted in a decrease of RMB121 million in interest expense on bonds issued.

5.2.5 Net non-interest income

In 2023, the Bank realized a net non-interest income of RMB7,645 million, representing a year-on-year increase of RMB120 million or 1.59%.

The following table sets forth the principal components of the Bank's net non-interest income for the periods indicated.

	<i>Unit: RMB million</i>	
	2023	2022
Fee and commission income	3,223	4,583
Settlement fee income	170	129
Guarantee and commitment fee income	649	614
Investment banking fee income	653	616
Custodian service fee income	718	647
Bank card fee income	158	71
Settlement fees	23	22
Agency service fees	785	2,402
Other fee income	67	82
Fee and commission expenses	(418)	(403)
Net fee and commission income	2,805	4,180
Other net non-interest income	4,840	3,345
Net trading income	3,601	2,119
Net income from financial investments	609	746
Dividend income	5	6
Other operating income, net	625	474
Net non-interest income	7,645	7,525

Net fee and commission income

In 2023, net fee and commission income of the Bank was RMB2,805 million, representing a year-on-year decrease of RMB1,375 million or 32.89%, which was primarily the decrease in agency service fees.

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.5 Net non-interest income (Continued)

Net trading income

In 2023, net trading income of the Bank was RMB3,601 million, representing an increase of RMB1,482 million or 69.94% as compared with the same period of last year, which was primarily attributable to the increase in net gains from interest rate instruments.

Net income from financial investments

In 2023, net income from financial investments of the Bank was RMB609 million, representing a decrease of RMB137 million or 18.36% as compared with the same period of last year, which was mainly due to the decrease in the spread income from financial assets at fair value through profit or loss.

5.2.6 Operating expenses

In 2023, the Bank's operating expenses were RMB10,199 million, representing an increase of RMB725 million or 7.65% as compared with the same period of last year.

The following table sets forth the principal components of the Bank's operating expenses for the periods indicated.

	<i>Unit: RMB million</i>	
	2023	2022
Staff costs	(5,940)	(5,580)
Depreciation and amortization	(1,079)	(1,036)
Lease expenses	(49)	(34)
Other general operating and administrative expenses	(2,709)	(2,406)
Tax and surcharges	(422)	(418)
Total operating expenses	(10,199)	(9,474)

Chapter V Management Discussion and Analysis

5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

5.2.7 Asset impairment losses

In 2023, the Bank's allowance for asset impairment losses was RMB8,798 million, representing a decrease of RMB864 million or 8.94% as compared with the same period of last year.

The following table sets forth the principal components of the Bank's impairment losses for the periods indicated.

Items	Unit: RMB million	
	2023	2022
Loans and advances to customers ⁽¹⁾	(7,913)	(5,909)
Financial investments	583	250
Deposits with banks and other financial institutions	0	10
Placements with banks and other financial institutions	(22)	3
Financial assets held under resale agreements	3	(113)
Credit commitments	(361)	264
Finance lease receivables	(870)	(1,272)
Goodwill	(229)	(2,792)
Other assets	11	(103)
Total	(8,798)	(9,662)

Note: (1) Loans and advances to customers comprise loans and advances to customers measured at amortised cost and at fair value through other comprehensive income.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS

5.3.1 Assets

As of 31 December 2023, the Bank's total assets amounted to RMB1,806,144 million, representing an increase of 14.30% as compared with the end of 2022. The increase in total assets was primarily due to an increase in assets such as loans and advances to customers and investments.

Unit: RMB million, except for percentages

Items	31 December 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Total loans and advances to customers	874,223	48.40	764,309	48.37
Accrued interest of loans and advances to customers	1,729	0.10	1,869	0.12
Provision for loan impairment	(29,869)	(1.65)	(31,380)	(1.99)
Net loans and advances to customers	846,082	46.84	734,798	46.50
Investments ⁽¹⁾	687,389	38.06	597,678	37.82
Cash and balances with the central bank	98,612	5.46	104,694	6.63
Deposits with banks and other financial institutions	14,409	0.80	10,720	0.68
Placements with banks and other financial institutions	35,272	1.95	20,695	1.31
Derivative financial assets	100	0.01	130	0.01
Financial assets held under resale agreements	24,775	1.37	12,659	0.80
Investments in associates	5,151	0.29	4,924	0.31
Fixed assets	4,539	0.25	4,626	0.29
Right-of-use assets	1,149	0.06	1,127	0.07
Goodwill	11,547	0.64	11,776	0.75
Deferred income tax assets	14,238	0.79	13,656	0.86
Finance lease receivables	58,683	3.25	57,807	3.66
Other assets	4,196	0.23	4,946	0.31
Total assets	1,806,144	100.00	1,580,236	100.00

Note: (1) Investments include accrued interest and provision for impairment.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.1 Loans and advances to customers

As of 31 December 2023, the Bank's total loans and advances to customers amounted to RMB874,223 million, representing an increase of 14.38% as compared with the end of last year, and accounting for 48.40% of total assets, representing an increase of 0.03 percentage point from the end of last year.

Distribution of loans by product type

The following table sets forth information on the Bank's loans and advances to customers by product type as of the dates indicated.

Unit: RMB million, except for percentages

Items	31 December 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Corporate loans	558,507	63.89	466,717	61.06
Discounted bills	56,382	6.45	43,510	5.69
Personal loans	259,334	29.66	254,082	33.24
Total loans and advances to customers	874,223	100.00	764,309	100.00

5.3.1.2 Investments

Investments of the Bank consist of listed and non-listed securities denominated in both Renminbi and foreign currencies, including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

The following table sets forth the components of the investment portfolio of the Bank by accounting classification.

Unit: RMB million, except for percentages

Items	31 December 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Financial assets at fair value through profit or loss	176,260	25.64	122,955	20.57
Financial assets at fair value through other comprehensive income	169,366	24.64	139,941	23.41
Financial assets at amortised cost	341,763	49.72	334,782	56.02
Investments	687,389	100.00	597,678	100.00

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.2 Investments (Continued)

Financial assets at fair value through profit or loss

The following table sets forth the components of financial assets at fair value through profit or loss of the Bank.

Unit: RMB million

	31 December 2023	31 December 2022
Government bonds	5,793	5,084
Other bonds	25,528	20,821
Interbank certificates of deposit	3,053	196
Equity investment	262	993
Beneficial rights in asset management plans, trust plans and others	135,492	89,925
Non-guaranteed wealth management products managed by other banks	3,908	4,542
Interest accrued	2,224	1,394
Total financial assets at fair value through profit or loss	176,260	122,955

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Financial assets at fair value through other comprehensive income

The following table sets forth the components of financial assets at fair value through other comprehensive income of the Bank.

Unit: RMB million

	31 December 2023	31 December 2022
Debt securities	160,415	137,067
Inter-bank certificates of deposits	5,896	-
Equity investment	305	292
Interest accrued	2,750	2,582
Total financial assets at fair value through other comprehensive income	169,366	139,941

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.2 Investments (Continued)

Financial assets at amortised cost

The following table sets forth the components of financial assets at amortised cost of the Bank.

Unit: RMB million

	31 December 2023	31 December 2022
Debt securities	227,400	180,858
Beneficial rights in asset management and trust plans and others	117,667	157,538
Interest accrued	5,970	6,661
Provision for impairment	(9,274)	(10,275)
Net financial assets at amortised cost	341,763	334,782

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Carrying value and market value

All assets classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income were recorded at market value or fair value.

The following table sets forth the carrying value and market value of the financial assets at amortised cost in the Bank's investment portfolio as of the dates indicated.

Unit: RMB million

	31 December 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost	341,763	347,369	334,782	338,813

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.1 Assets (Continued)

5.3.1.3 Subsidiaries and major companies in which the Bank has shareholdings

Name	Initial investment amount (RMB'000)	Percentage of shareholdings (%)	Number of shares held at the end of the period (in thousands of shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Huishang Bank Financial Leasing Co., Ltd.	1,020,000	54	1,620,000	1,706,820	Promotion, participation in capital increase	Subsidiary
HSBank Wealth Management Co., Ltd.	2,000,000	100	2,000,000	2,000,000	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. ⁽¹⁾	40,000	40	40,000	69,513	Promotion	Subsidiary
Jinzhai Huiyin Rural Bank Co., Ltd. ⁽²⁾	32,800	41	32,800	32,800	Promotion	Subsidiary
Chery Huiyin Motor Finance Service Co., Ltd.	100,000	20	300,000	1,983,338	Promotion, participation in capital increase	Company in which the Bank has shareholdings
Mengshang Bank Co., Ltd.	3,600,000	15	3,000,000	3,168,133	Promotion	Company in which the Bank has shareholdings

Notes:

- (1) In 2010, the Bank invested in and established Wuwei Huiyin Rural Bank Co., Ltd. ("Wuwei Huiyin"). Its registered capital was RMB100 million, of which the Bank contributed RMB40 million, accounting for 40% shareholding. Although the Bank has no absolute controlling interest in Wuwei Huiyin, after taking into various factors, the company's operating activities since its incorporation indicated that the Bank has a dominant position over operating activities of Wuwei Huiyin. Therefore, the Bank has de facto control over it. The Bank included Wuwei Huiyin in its consolidated financial statements on 31 December 2014.
- (2) Due to the changes in the shareholding of Jinzhai Huiyin Rural Bank Co., Ltd. ("Jinzhai Huiyin") in May 2017, its shareholders, Anhui GuoYuan Investment Co., Ltd. (holding 10% of the shares of Jinzhai Huiyin) and Zhang Huai'an (holding 10% of the shares of Jinzhai Huiyin), have been acting in concert with the Bank. Such shareholders will agree with the Bank when voting on material decisions regarding the financial and operating policies of Jinzhai Huiyin.

For further details of subsidiaries of the Bank and major companies in which the Bank has shareholdings, please refer to section 5.9.9 "Subsidiaries and major companies in which the Bank has shareholdings" of this annual report.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.2 Liabilities

As of 31 December 2023, total liabilities of the Bank amounted to RMB1,659,417 million, representing an increase of 13.86% as compared with the end of last year. Such increase was mainly due to the steady growth of customer deposits.

Unit: RMB million, except for percentages

Items	31 December 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
Borrowings from central bank	138,086	8.32	82,908	5.69
Deposits from banks and other financial institutions	164,014	9.88	123,611	8.48
Placements from banks and other financial institutions	47,086	2.84	43,863	3.01
Derivative financial liabilities	101	0.01	117	0.01
Financial assets sold under repurchase agreements	66,851	4.03	54,476	3.74
Customer deposits	1,020,158	61.48	894,156	61.35
Accrued interests on customer deposits	22,157	1.34	18,620	1.28
Taxes payable	1,975	0.12	2,908	0.20
Issuance of bonds	181,661	10.95	218,002	14.96
Other liabilities	17,328	1.04	18,753	1.29
Total liabilities	1,659,417	100.00	1,457,414	100.00

Customer deposits

The Bank has been focusing on and actively expanding its deposit business. In 2023, despite an increasingly intense competition among the peers, the Bank managed to maintain a steady growth of customer deposits through various effective measures. As of 31 December 2023, total customer deposits of the Bank amounted to RMB1,020,158 million, representing an increase of 14.09% as compared with the end of 2022, and accounted for 61.48% of total liabilities of the Bank, representing an increase of 0.13 percentage point from the end of last year.

Chapter V Management Discussion and Analysis

5.3 BALANCE SHEET ANALYSIS (CONTINUED)

5.3.2 Liabilities (Continued)

Customer deposits (Continued)

The following table sets forth the Bank's customer deposits by product type and customer type as of the dates indicated.

Unit: RMB million, except for percentages

Items	31 December 2023		31 December 2022	
	Balance	% of the total	Balance	% of the total
Corporate deposits				
Demand deposits	263,924	25.87	244,866	27.39
Time deposits	172,293	16.89	187,973	21.02
Subtotal	436,217	42.76	432,839	48.41
Personal deposits				
Demand deposits	83,051	8.14	88,420	9.89
Time deposits	448,811	43.99	320,201	35.81
Subtotal	531,862	52.14	408,621	45.70
Other deposits	52,078	5.10	52,696	5.89
Including: Pledged deposits	51,706	5.07	52,405	5.86
Total customer deposits	1,020,158	100.00	894,156	100.00

5.3.3 Equity

Unit: RMB million

Items	31 December	31 December
	2023	2022
Share capital ⁽¹⁾	13,890	13,890
Other equity instruments	19,999	10,000
Capital reserve	15,231	15,231
Surplus reserve	19,949	17,404
Statutory general reserve	17,584	15,598
Other comprehensive income	2,124	900
Retained earnings	54,206	46,585
Equity attributable to shareholders of the Bank	142,983	119,608
Non-controlling interest	3,744	3,214
Total equity	146,727	122,822

Note: (1) For details of share capital of the Bank, please refer to section 7.1 "Changes in Ordinary Shares of the Bank during the Reporting Period" of this annual report and Note 40 to the financial statements.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS

5.4.1 Distribution of loans by the five-category classification

The following table sets forth the distribution of the Bank's loans by the five-category classification as of the dates indicated.

	31 December 2023		31 December 2022	
	Amount	% of the total	Amount	% of the total
	<i>(in RMB100 million, except for percentages)</i>			
Pass	8,561.83	97.94	7,425.71	97.15
Special mention	70.18	0.80	103.77	1.36
Substandard	56.96	0.65	24.42	0.32
Doubtful	21.19	0.24	18.93	0.25
Loss	32.07	0.37	70.26	0.92
Total loans and advances to customers	8,742.23	100.00	7,643.09	100.00
Total non-performing loans	110.22	1.26	113.61	1.49

Under the risk classification measures for financial assets, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. In 2023, in the face of complex and volatile internal and external economic and financial situations, the whole Bank has effectively implemented risk management and control in key areas, and maintained the stability of asset quality by increasing its measures to the recovery and disposal. As of the end of the Reporting Period, the NPL ratio of the Bank was 1.26%, representing a decrease of 0.23 percentage point from the end of last year.

5.4.2 Distribution of loans and NPLs by product type

The following table sets forth the distribution of loans and NPLs by product type as of the dates indicated.

	31 December 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
	<i>(in RMB100 million, except for percentages)</i>							
Corporate loans	5,585.07	63.89	80.85	1.45	4,667.17	61.06	90.74	1.94
Discounted bills ⁽¹⁾	563.82	6.45	0.00	0.00	435.1	5.69	0.00	0.00
Retail loans	2,593.34	29.66	29.37	1.13	2,540.82	33.25	22.87	0.90
Total loans and advances to customers	8,742.23	100.00	110.22	1.26	7,643.09	100.00	113.61	1.49

Note: (1) Overdue discounted bills are transferred to corporate loans.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.3 Distribution of loans and NPLs by industry

The following table sets forth the distribution of loans and NPLs by industry as of the dates indicated.

	31 December 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Commerce and services	983.38	11.25	31.18	3.17	862.61	11.30	51.55	5.98
Manufacturing	978.75	11.20	13.39	1.37	754.61	9.87	15.05	1.99
Public utilities	2,231.68	25.53	1.20	0.05	1,817.78	23.78	1.00	0.06
Real estate	346.48	3.96	25.41	7.33	342.25	4.48	1.13	0.33
Construction	393.05	4.50	8.10	2.06	344.04	4.50	7.81	2.27
Transportation	120.71	1.38	0.54	0.45	108.57	1.42	3.26	3.00
Energy and chemical	355.55	4.07	0.32	0.09	307.73	4.03	0.44	0.14
Catering and travelling	10.85	0.12	0.28	2.58	7.58	0.10	0.23	3.03
Education and media	36.55	0.42	0.03	0.08	36.22	0.47	10.05	27.75
Financial services	56.23	0.64	0.00	0.00	49.68	0.65	0.00	0.00
Others ⁽¹⁾	71.84	0.82	0.40	0.56	36.11	0.47	0.22	0.61
Discounted bills	563.82	6.45	0.00	0.00	435.10	5.69	0.00	0.00
Retail loans	2,593.34	29.66	29.37	1.13	2,540.82	33.24	22.87	0.90
Total loans and advances to customers	8,742.23	100.00	110.22	1.26	7,643.09	100.00	113.61	1.49

Note: (1) Others mainly include the planting, forestry, and livestock industries and the fishery industry.

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.4 Distribution of loans and NPLs by geographical segment

The following table sets forth the distribution of loans and NPLs by geographical segment as of the dates indicated.

	31 December 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Anhui	7,670.54	87.74	77.45	1.01	6,658.59	87.12	75.86	1.14
Jiangsu	535.59	6.13	17.71	3.31	515.15	6.74	17.18	3.33
Others	536.10	6.13	15.06	2.81	469.35	6.14	20.57	4.38
Total loans and advances to customers	8,742.23	100.00	110.22	1.26	7,643.09	100.00	113.61	1.49

5.4.5 Distribution of loans and NPLs by type of collateral

The following table sets forth the distribution of loans and NPLs by type of collateral as of the dates indicated.

	31 December 2023				31 December 2022			
	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total	Amount of NPLs	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Collateralized loans	2,261.04	25.86	37.67	1.67	2,236.45	29.27	20.49	0.92
Pledged loans	1,600.70	18.31	1.33	0.08	1,539.20	20.14	8.73	0.57
Guaranteed loans	2,546.77	29.13	50.34	1.98	1,752.84	22.93	34.46	1.97
Unsecured loans	1,769.90	20.25	20.88	1.18	1,679.50	21.97	49.93	2.97
Discounted bills	563.82	6.45	0.00	0.00	435.10	5.69	0.00	0.00
Total loans and advances to customers	8,742.23	100.00	110.22	1.26	7,643.09	100.00	113.61	1.49

Chapter V Management Discussion and Analysis

5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.6 Loans of the top 10 single borrowers

The following table sets forth the Bank's loans of the top 10 single borrowers as of the date indicated.

Top 10 borrowers	Industry borrower belongs to	Amount of loans as of 31 December 2023 (RMB million)	% of net capital
A	Manufacture	5,500.00	3.45
B	Manufacture	3,267.68	2.05
C	Commerce and services	3,184.00	2.00
D	Energy and chemical	3,105.50	1.95
E	Transportation	3,017.36	1.89
F	Manufacture	2,909.09	1.82
G	Public utilities	2,674.00	1.68
H	Energy and chemical	2,670.52	1.68
I	Public utilities	2,655.25	1.67
J	Commerce and services	2,585.25	1.62
Total		31,568.65	19.80

5.4.7 Distribution of loans by overdue period

The following table sets forth the distribution of loans by overdue period as of the dates indicated.

	31 December 2023	31 December 2022
Total loans and advances to customers listed by duration (RMB million)		
Within 3 months	3,927	3,717
3 to 6 months (inclusive)	1,622	1,193
6 to 12 months	3,183	1,440
Over 12 months	1,921	6,851
Total	10,653	13,201
Percentage (%)		
Within 3 months	36.86	28.15
3 to 6 months (inclusive)	15.23	9.04
6 to 12 months	29.88	10.91
Over 12 months	18.03	51.90
Total	100.00	100.00

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5.4 LOAN QUALITY ANALYSIS (CONTINUED)

5.4.8 Restructuring loans

The Bank carried out the restructuring for non-performing loans strictly following the principle of “not increasing substantive risks and not reducing risk mitigation”. During the Reporting Period, the Bank’s restructuring NPLs amounted to RMB864,146.7 thousand, representing an increase of RMB74,229.1 thousand from the same period of last year, which included 25 corporate loans amounting to RMB760,010 thousand, 22 small corporate loans amounting to RMB99,636.7 thousand and 1 personal loan amounting to RMB4,500 thousand.

5.4.9 Transfer of credit assets

The Bank disposes of its non-performing assets by transferring such assets to third parties in its ordinary course of business. In 2023, the Bank disposed of non-performing assets of RMB2,555 million through transfer, including the disposal of non-performing assets of the former Baoshang Bank of RMB1,980 million.

5.4.10 Change of allowances for loan impairment ⁽¹⁾

The Bank adopts the “Expected Credit Loss Model” to assess impairment provision and loss on loans on a regular basis in accordance with the requirements of IFRS 9. In measuring the expected loss, the Bank uses a complex model comprising the future macroeconomic situation and the credit history of borrowers and makes relevant assumptions. After carrying out a forward-looking assessment of the expected credit loss on each loan, the Bank classifies the loans into stage one, two and three accordingly and determines the degree of impairment loss based on the degree of default. The Bank will regularly review the methodology and assumptions such as the criteria for significant increase in credit risk, the definition of credit-impaired assets, the parameters for expected credit loss measurement and forward-looking information to reduce the difference between the estimated impairment loss and the actual impairment loss on loans.

The following table sets forth the changes of allowances for impairment on loans and advances to customers.

Items	Unit: RMB million	
	2023	2022
Balance at the beginning of the period	31,421	27,953
Allowances for the period	7,913	5,909
Reversal caused by the write-down of interest on impaired loans and advances to customers	(78)	(130)
Write-offs and transfer out for the period	(10,372)	(3,619)
Reversal caused by recovery of loans and advances to customers written off	1,088	1,308
Balance at the end of the period	29,972	31,421

Note: (1) Loans and advances to customers comprise loans and advances to customers measured at amortised cost and at fair value through other comprehensive income.

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5.5 CAPITAL ADEQUACY RATIO ANALYSIS

The Bank continued to optimize asset structure, enhance capital management, and met the regulatory requirements on capital adequacy ratio set by the banking regulatory authority during the Reporting Period.

The Bank calculated the capital adequacy ratio in accordance with the relevant requirements contained in the “Measures for the Capital Management of Commercial Banks (Trial)”. As of 31 December 2023, the Bank’s capital adequacy ratio was 13.21%, Tier 1 capital adequacy ratio was 10.82%, and Core Tier 1 capital adequacy ratio was 9.14%.

The table below shows information relating to capital adequacy ratios of the Bank as at 31 December 2023:

Unit: RMB million, except for percentages

	31 December 2023
Core Tier 1 capital	125,279
Including: Paid-in capital	13,890
Capital reserve and other comprehensive income	17,355
Surplus reserve and statutory general reserve	37,533
Retained earnings	54,206
Non-controlling interests	2,296
Regulatory deductions for Core Tier 1 Capital	(14,947)
Core Tier 1 capital, net of deductions	110,332
Other Tier 1 capital, net of deductions	20,294
Tier 1 capital, net of deductions	130,627
Tier 2 capital	28,802
Including: Tier 2 capital instruments and premium	14,000
Surplus loan loss provisions	14,199
Non-controlling interests	603
Total capital, net of deductions	159,429
Credit risk-weighted assets	1,135,912
Market risk-weighted assets	3,222
Operational risk-weighted assets	67,945
Risk-weighted assets	1,207,079
Capital adequacy ratio	13.21%
Tier 1 capital adequacy ratio	10.82%
Core Tier 1 capital adequacy ratio	9.14%

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5.5 CAPITAL ADEQUACY RATIO ANALYSIS (CONTINUED)

Pursuant to regulatory requirements, the capital adequacy ratio of the Bank above was calculated after consolidating relevant data of Huishang Bank Financial Leasing Co., Ltd., HSBank Wealth Management Co., Ltd., Wuwei Huiyin and Jinzhai Huiyin.

Leverage ratio

Unit: RMB million, except for percentages

Item	31 December 2023	31 December 2022
Leverage ratio	6.84%	5.90%
Tier 1 capital, net of deductions	130,627	105,612
Adjusted balance of assets on and off the balance sheet	1,908,585	1,790,414

Note: Indicators related to leverage ratio are calculated pursuant to the "Administrative Measures for Leverage Ratio of Commercial Banks (Revised)".

5.6 SEGMENT PERFORMANCES

Operating segments

The Bank provides services through four main business segments: corporate banking, retail banking, treasury and others. The table below sets forth the segment performance of the Bank by business line as at the periods indicated.

	2023		2022	
	Total profits before taking into account impairment	% of the total	Total profits before taking into account impairment	% of the total
Corporate banking business	15,956	60.31	15,651	58.02
Retail banking business	4,285	16.20	5,204	19.29
Treasury	7,813	29.53	7,464	27.67
Others	(1,599)	(6.04)	(1,342)	(4.98)
Total	26,455	100.00	26,977	100.00

(RMB million, except for percentages)

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5.6 SEGMENT PERFORMANCES (CONTINUED)

Geographical segments

Geographically, the Bank's business is mainly in Mainland China. It has set up branches in Anhui Province, Jiangsu region and other areas. The table below lists the Bank's geographical segments performance as at the periods indicated.

	31 December 2023					Total
	Anhui Province	Jiangsu region	Head office	Other areas	Inter-segment elimination	
	<i>(RMB million)</i>					
Segment assets	1,067,479	52,782	590,693	90,309	(9,357)	1,791,906
Including: investments in associates	-	-	5,151	-	-	5,151
Deferred income tax assets	-	-	-	-	-	14,238
Total assets	-	-	-	-	-	1,806,144
Segment liabilities	(1,041,056)	(52,198)	(481,472)	(90,240)	5,549	(1,659,417)
Total profits before taking into account impairment	20,732	632	4,947	144	-	26,455

	31 December 2022					Total
	Anhui Province	Jiangsu region	Head office	Other areas	Inter-segment eliminations	
	<i>(RMB million)</i>					
Segment assets	954,659	47,452	507,326	65,035	(7,892)	1,566,580
Including: investments in associates	-	-	4,924	-	-	4,924
Deferred income tax assets	-	-	-	-	-	13,656
Total assets	-	-	-	-	-	1,580,236
Segment liabilities	(935,816)	(46,667)	(425,285)	(53,728)	4,082	(1,457,414)
Total profits before taking into account impairment	21,361	1,470	3,855	291	-	26,977

5.7 OTHERS

5.7.1 Off-balance sheet balances and important circumstances that may have significant impacts on the financial position and operating results of the Bank

The off-balance sheet items of the Bank include letters of bank acceptance, letters of credit, letters of guarantee, credit commitments, capital commitment, and certificate government bond honor commitments. Financial guarantees and credit commitments, other commitments and contingent liabilities can be found in Note 44 to the financial statements.

5.7.2 Overdue outstanding debt

As of the end of 2023, the Bank had no overdue outstanding debt.

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5.8 INFLUENCE OF CHANGE IN OPERATING ENVIRONMENT AND MACRO POLICY AND THE FOCUSES OF THE OPERATION

1. The main macroeconomic indicators maintained stable operation

In 2023, the economy of China showed “stable, progressive and satisfactory” characteristics, with the total economic output exceeding RMB126 trillion, representing an increase of 5.2% for the year. Employment and commodity prices remained relatively stable, with foreign exchange reserves exceeding US\$3.2 trillion at the end of the year. The economic structure was further adjusted and optimized, and the dominant role of the domestic cycle was significantly strengthened, with the contribution of domestic demand reaching 111.4% throughout the year. Significant progress was made in the construction of the modern industry systems, the transformation and upgrading of traditional industries was accelerated, and the strategic emerging industries were thriving. Major innovations continued to emerge, and the transformation of old to new impetus was accelerated, with the added value of the equipment manufacturing industry increasing by 6.8% year-on-year, and investment in high-tech manufacturing and high-tech service industries increasing by 9.9% and 11.4% respectively. High-quality development was made solid progress, the construction of a unified national market has been accelerated, and the business environment has been further optimized. The increase of employment in cities and towns was 12.44 million, and the income of residents would continue to grow. With the deepening in reform and opening up, the share of exports in the international market remained stable, and the structures of the actually utilised foreign capital were optimized.

2. Strengthened counter-cyclical and cross-cyclical adjustment of macro policies

Both monetary policy and fiscal policy continued to exert efforts. During the Reporting Period, the Central Bank increased monetary credit to support the economy. Two cuts of the reserve requirement ratio throughout the year released more than RMB1 trillion of long-term funds, and the Medium-term Lending Facility (MLF) continued to exceed RMB2.5 trillion. Open-market operations were flexibly carried out to maintain reasonable and sufficient liquidity. Fiscal policies were taken to increase the efficiency of the economy, strong support was provided in expenditures in key areas, with social security and employment expenditures increasing by 8.9%, and science and technology expenditures increasing by 7.9%. Policies on tax and fee reductions continued to be optimized and improved to further reduce the tax and fee burdens on operating entities and precisely support the high-quality development of the real economy such as manufacturing industry. The scale of new tax and fee reductions and tax refunds and fee deferrals nationwide exceeded RMB2.2 trillion throughout the year.

3. The scale of monetary credit and social financing maintained reasonable growth

During the Reporting Period, the Central Bank gave full play to the effectiveness of the monetary credit policies, with the balance of RMB loans reaching RMB237.6 trillion at the end of 2023, the broad money (M2) and the existing social financing scale increasing by 9.7% and 9.5% year-on-year respectively; new loans throughout the year amounted to RMB22.7 trillion, representing a year-on-year increase of RMB1.3 trillion. The credit structure was improved ongoingly. The loans for scientific and technological innovation, advanced manufacture, inclusive small and micro enterprises and green development were significantly increased.

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5.9 BUSINESS OPERATION

5.9.1 Corporate banking

Business overview

The Bank provides a full range of corporate financial products and services to corporations, financial institutions and governmental and institutional customers including corporate loans, corporate deposits, investment banking, transaction banking and a series of fee and commission-based services. In particular, the Bank is committed to providing comprehensive service solutions for all types of corporations.

In 2023, in terms of the corporate banking business, the Bank resolutely implemented the strategic deployment of Anhui Provincial Committee and People's Government of Anhui Province, adhered to the "customer-centric" business philosophy, insisted on the development philosophy of "seeking development through transformation and promoting transformation through development", and continuously deepened its ability to serve the real economy. Focusing on key areas and key customer segments, the Bank strengthened its ability to provide comprehensive financial services, committed itself to the development of county markets of the corporate businesses, and continued to enhance the endogenous driving force for development of "refined" management and "digital" transformation. It reshaped its organizational structure and coordinated its development mechanism, launched more than ten marketing activity plans covering the full cycle, the full range of products and customer segments of the 14th Five-Year Plan, as well as various innovative products. The balance of loans in key sectors such as the manufacturing industry, strategic emerging industries, private enterprises and agriculture-related industries increased rapidly and the target for all policy loans was successfully achieved. The Bank strengthened risk management and control, and comprehensively enhanced the profitability of assets, thus significantly promoting the sustainable and high-quality development of the corporate banking business. In 2023, the Bank continued to maintain its leading position in corporate loans and deposits among commercial banks in Anhui Province. Transformation-based business lines including investment banking and transaction banking have all achieved continuous growth and have been widely recognized by the market.

Corporate loans

The Bank's corporate loans mainly include working capital loans, fixed asset loans and other corporate loans. In 2023, the Bank concentrated on key initiatives including the integrated development of the Yangtze River Delta, the development of "one metropolis circle and five areas", "three fields and one area", Northern Anhui revitalization, and the construction of key parks and key areas such as infrastructure, green finance, new energy vehicles, advanced manufacturing, strategic emerging industries, high-quality private enterprises and key customer base such as enterprises subordinated to province, enterprises above designated size, medium-sized enterprises, (to-be) listed companies, enterprises in the trading parks as well as SRDI enterprises, and continued to increase financial support for real economy. As of 31 December 2023, the Bank's balance of corporate loans (including discounted bills) was RMB614,889 million, representing an increase of RMB104,662 million from the last year.

Corporate deposits

The Bank provides corporate customers with corporate deposit products and services, including corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits, corporate large amount certificates of deposit. The Bank actively addressed the challenges brought by the policy impacts of interest rate capitalization reform. The Bank is committed to promoting the marketing of low-cost deposits and made all-out efforts to provide service support for the issuance of government special bonds, financial funds bidding, refinancing bonds and other bond issues, and endeavored to increase the proportion of corporate settlement funds, thus creating stable sources of revenue for corporate business. The Bank has maintained a leading market position in terms of corporate deposit business in Anhui Province from 2008 to 2023. As of 31 December 2023, the Bank's balance of corporate deposits amounted to RMB436,217 million (excluding margin deposits).

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.1 Corporate banking (Continued)

Discounted bills

In 2023, based on the overall balance of assets size, liquidity, profitability and risks, the Bank actively responded to the changes in the business environment, scientifically followed the pace of bills business development, enhanced the profitability of bills business, and facilitated the full compliance and healthy development of bills business. As of the end of 2023, the Bank's balance of discounted bills amounted to RMB56,382 million, of which the balance of direct discounted bills and rediscounted bills amounted to RMB12,710 million and RMB43,672 million, respectively.

Transaction banking

The Bank deeply implemented the strategic deployment of eight ministries and commissions, including the PBOC, on the development of supply-chain finance and supporting the stable circulation, optimization and upgrading of industrial chains, to work more closely on industrial chain scenarios of the real economy, focus on new energy vehicles, manufacturing, medical, new infrastructure and other key areas and "Chain Leader" enterprises on the supply chain in Anhui Province, accelerate digital transformation and provide a full course of follow-up services for upstream and downstream customers, with the depth and breadth of its supply chain services further enhanced. As of the end of the Reporting Period, the number of core corporate customers of the Bank increased by 110% as compared with the same period of the last year and the number of upstream and downstream customers increased by 146% as compared with the same period of the last year. In addition, relying on the advantages of financial technology, the Bank built a supply-chain finance 2.0 system to realize the online management of the whole process of supply-chain financing business, which has greatly improved the efficiency of financing services. We accelerated the scenario-based construction of supply chain finance, became the first bank to connect with supply-chain financial service platform of the Anhui Province, and the scenario-based supply chain finance services brought about the new trend. We created a supply-chain cooperation ecosystem, expanded supply-chain service channels, and achieved new results in supply-chain finance serving the real economy and the development of the industrial chain.

The Bank was committed to building a domestic and foreign currency integrated transaction banking and wealth and asset management platform, to give full play to advantage of professional services of cash management and meet capital management demands of customers during the entire transaction process. The Bank recorded performance highlights in serving the digital transformation of government authorities, establishing regulations on capitals in people's livelihood under multi scenarios and providing resolutions in key industries. In 2023, the Bank signed contracts with 10,908 customers on cash management, representing an increase of 26.06% from the previous year; the annual transaction amount of the cash management business reached RMB6.4 trillion, representing an increase of 28.26% from the previous year.

In 2023, the Bank continued to stimulate new vitality in its international business through digital and intelligent innovation, launched online products such as Tariff Circular (關稅通), and optimized and upgraded the functions of its YI Series (易系列) products, Export E Loan (出口E貸) and Market Purchase and Trade Integrated Services, and enhanced the comprehensive cross-border financial service capabilities, steadily increasing the volume of various businesses.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.1 Corporate banking (Continued)

Investment banking business

To promote its business transformation and development, the Bank focuses on developing investment banking services such as lead underwriting of debt financing instruments, asset securitization, M&A financing, structural financing, and investment and financing consulting. The Bank continually enriches its investment banking products by launching innovative products such as asset-backed notes, science and technology innovation notes and rural revitalization notes. During the Reporting Period, the Bank vigorously promoted the underwriting business of debt financing instruments. The Bank completed the registration of 95 debt financing instruments, with a total registered amount of RMB204,563 million; and completed the issuance of 135 debt financing instruments with an underwriting amount of RMB54,126 million, increasing by 130% as compared to last year. In 2023, the Bank continued to make breakthroughs in the asset securitization and financing debts business, successfully implementing the lead underwriting business of multiple asset securitization products and financial bonds. It also achieved rapid growth in the sector of M&A loan business and further satisfied the diversified corporate financing needs.

5.9.2 Personal finance business

Business overview

In 2023, the Bank firmly established the philosophy of “customer-centric” by promoting the transformation and upgrading of outlet capacity enhancement 3.0, making greater efforts in the construction of the customer base management system, and strengthening the segment synergy to build a personal customer marketing service channel that integrates online and offline services. Through improving brands for personal marketing campaigns, such as “Enjoying Huishang Bank in Four Seasons (徽享四季)”, “Enjoying Huishang Bank in Wealth Carnival (徽享財富節)”, and “Enjoying Huishang Bank’s Recommendation Gift (徽享薦面禮)” and actively promoting the personal customer management platform, the Bank has continuously enhanced the digital and intelligent level of personal customer operations. These efforts have helped lay a solid foundation for personal business development of the Bank and achieved the goals of improving the performance indicators and regional competitiveness of its personal business. The scale of deposits and loans of personal customers expanded continuously, market share of personal deposits in Anhui Province has kept rising since the H Share Listing of the Bank. The business scale of personal loans continued to expand.

Wealth management business

The Bank’s personal wealth management business mainly includes agency service for sales of personal wealth management, agency service for sales of funds, agency service for sales of insurance products, agency service for sales of treasury bonds, agency service for sales of asset management plans of securities traders and agency service for sales of physical precious metal, etc. In 2023, the personal wealth management business amounted to RMB182,695 million, the Bank had 96,600 high-net-worth clients and 975,600 clients of wealth management business. In 2023, the Bank completed the construction of the online private banking service area, covering the four exclusive benefits of travel, health, life and education.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.2 Personal finance business (Continued)

Bank card business

One card

In 2023, the Bank further deepened the expansion and operation of the customer base of personal business. The Bank proactively carried out various kinds of marketing activities for bank cards, constantly cultivated the card-using habits of customers and constantly enhanced its customer loyalty, so as to further achieve a steady and continuous growth in Huangshan Debit Cards transactions. As of the end of 2023, the Bank had 19,778,900 debit cards, and 1,631,600 cards newly issued during the year; total deposits of the cards amounted to RMB231,876 million, representing an increase of 11.02% as compared with the same period of the last year, and deposit per card recorded an increase of 3.54% as compared with the same period of the last year.

Credit card

Focusing on the work goals of “creating features, reorganizing the layout, and building a brand”, the Bank pushed the credit card business back to its roots and transformed into a “customer-centric” business. Specific measures are as follows: Firstly, it promoted the dual-card driving strategy, tapped the gold mine of retail customers, and realized the batch conversion of high-quality retail customers into credit card customers. Secondly, it focused on eight key industries, including administrative institutions, public health care, science and technology education, and pillar industries, formulated a marketing strategy for eight major customer groups and continuously introduced high-quality potential customers. Thirdly, it built a competitive product system around ten major scenarios such as automobiles, home decoration, online platforms, petty cash, education, and tourism, improved user experience, and provided customers with a one-stop “consumption” plus “instalment” service. Fourthly, it continuously improved business processes, strengthened business operation and management, and completed various rectification work on time and quality in accordance with new regulatory requirements. Fifthly, it continuously strengthened the introduction of external data to enrich the identification dimensions of risk control digital models of credit cards to improve risk control levels and approval efficiency.

As of the end of 2023, the Bank issued 2,437,500 valid credit cards in total. The number of credit cards issued during the Reporting Period was 165,700. In 2023, the transaction amount of credit cards was RMB33,315 million in aggregate. Revenue from the credit card business amounted to RMB989 million.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.2 Personal finance business (Continued)

Personal customer loans

In 2023, under the background of the national policies on “ensuring stable growth, stabilizing employment and boosting consumption” and based on its own positioning, the Bank channeled more credit resources into key sectors and weak links in economy, facilitated market entities to overcome difficulties, boosted consumption and smoothed supply. It actively implemented the target of “striving to be an outstanding mainstream bank in the province”, vigorously advanced the implementation of the digital and strategic transformation of the personal loan business and boosted efforts in overcoming the impacts of the macroeconomic situation through shoring up weaknesses, enhancing advantages and promoting improvement, achieving gradual recovery of all businesses.

As of the end of 2023, the total personal loans of the Bank under the headquarters amounted to RMB198.015 billion, representing an increase of RMB12.829 billion as compared with the beginning of the year. As affected by the economic cycle downturn and other factors, NPL ratio of personal loan of the Bank under the headquarters was 0.74%, representing an increase of 0.16 percentage point as compared with the beginning of the year.

As of the end of 2023, the balance of personal home loans of the Bank amounted to RMB123.628 billion, representing an increase of RMB2,381 million as compared with the beginning of the year; NPL ratio of personal home loans of the Bank was 0.58%, representing an increase of 0.14 percentage point as compared with the beginning of the year. The balance of non-home consumption loans of the Bank amounted to RMB16.414 billion, representing an increase of RMB3.860 billion or 30.75% as compared with the beginning of the year. The NPL ratio of non-home consumption loan of the Bank was 1.42%, representing an increase of 0.52 percentage point as compared with the beginning of the year. The balance of personal business loans of the Bank amounted to RMB57.973 billion, representing an increase of RMB6.587 billion or 12.82% as compared with the beginning of the year; NPL ratio of personal business loans of the Bank was 0.89%, representing an increase of 0.04 percentage point as compared with the beginning of the year.

Personal customer deposits

In 2023, facing the severe and intricate external operation environment, the Bank insisted on expanding and strengthening personal financial assets, actively seized core personal customer deposits, continued to increase its efforts to expand the personal customer deposit market, and achieved rapid growth in personal customer deposits and effective increase in market share. As of the end of 2023, the Bank’s personal customer deposits amounted to RMB531,862 million, representing an increase of 30.16% as compared with the end of the last year, among which, the Bank’s county-level personal deposits under the headquarters amounted to RMB159,826 million, representing an increase of RMB38,272 million or 31.49% as compared with the beginning of the year. As of the end of 2023, the market share of the Bank’s personal deposits under the headquarters in Anhui Province reached 10.41%, representing an increase of 1.08 percentage points from the beginning of the year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.3 Financial market business

2023 is the year of recovery and development after the three-year COVID-19 pandemic prevention and control shifted to a new phase. The Central Bank has adopted flexible, appropriate, well-targeted and effective monetary policies and persisted in making economic stability the top priority and pursuing progress while ensuring stability, created a favourable monetary and financial environment for an upturn in the economy. The Bank seized the opportunity to carry out the following measures: firstly, the Bank adhered to the principle of serving the real economy and continuously increased the allocation of treasury bonds, local government bonds and credit bonds; secondly, it closely followed market forecasts, grasped the opportunities in the bond market and actively participated in swing trading to boost revenue; thirdly, it fully performed its obligations as a market maker to provide liquidity to the market, and improved its market influence; fourthly, it focused on market and customer expansion, strengthened business innovation and linkage, and enhanced its overall advantages.

5.9.4 Custody business

In 2023, the Bank's asset custody business adhered to the implementation of the Bank's strategic plan, took a customer-centered and market-oriented approach, continued to strengthen its business foundation, continuously enhanced the synergy between different business lines, promoted in-depth business transformation, strengthened its custody digital service capabilities, and made efforts to enhance its core competitiveness, realizing the healthy growth of the business scale and revenue from intermediate business, and ranking among the top in the industry in terms of both scale and medium-term revenue growth rate.

As of 31 December 2023, the balance of assets under custody (excluding regulating products of corporate and investment banking) of the Bank amounted to RMB1,020.495 billion, representing an increase of RMB91.671 billion or 9.87% as compared with the beginning of the year. The Bank's custody asset business (excluding regulating products of corporate and investment banking) generated a custody fee income of RMB585.1143 million, representing an increase of RMB37.2422 million or 6.80% as compared with the corresponding period of the last year.

5.9.5 Distribution channels

The Bank uses a variety of distribution channels to provide products and services. The Bank's distribution channels are mainly divided into physical distribution channels and electronic banking channels.

Physical distribution channels

As of 31 December 2023, the Bank had a total of 520 self-service banks (including single points) with 1,844 cash self-service equipment (including 1,012 cash recycling machines and 832 smart self-service terminals).

Electronic banking channels

Focusing on high-quality development and consistently giving priority to the development of mobile products and services, the Bank actively promoted the digital transformation of its personal business, accelerated the iteration and synergy of online channels with mobile banking at its core, strengthened the in-depth integration of channels, products and customers, and enhanced the level of digital and intelligent services so as to empower the development of its operations with fintech.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.5 Distribution channels (Continued)

Mobile banking

Focusing on “customer experience”, the Bank continued to enhance its mobile banking infrastructure, business processes, product innovation, function optimization and layout design to accelerate the transformation from a service channel to an integrated business platform. During the Reporting Period, the Bank promoted the migration of the client terminal, gradually realized system autonomy and control, enriched the ecological landscape by focusing on the construction of digital business districts, government and livelihood services, smart campuses, the issuance of consumption vouchers, and other financial service scenes, and launched a number of customer feedback campaigns in conjunction with renowned institutions, such as Meituan, China Tower, and NIO, in order to continue to satisfy the diversified and integrated needs of our customers. During the Reporting Period, the Bank’s mobile banking customer base remained stable and increased. The total number of mobile banking customers of the Bank reached 9,703,500, representing a year-on-year increase of 14.39% with the customer activity continuously improving. The number of monthly active customers reached 2,415,800, representing a year-on-year increase of 14.23%.

Online banking

In 2023, the Bank continued to upgrade its online banking payment channels, launched a new authentication tool Bluetooth Shield, improved the security of online banking transactions, and continuously optimized transaction logic and customer service experience. Personal online banking business volume remained stable compared with the same period last year. As of the end of the Reporting Period, the Bank’s total number of personal online banking customers reached 8,098,200, representing a year-on-year increase of 7.41%, with 37,849,300 personal online banking transactions, and the transaction amount reached RMB392,668 million. The Bank’s total number of corporate online banking customers reached 384,100 with 32,230,000 corporate online banking transactions, and the transaction amount accumulated to RMB4.79 trillion.

Mobile Payment

The Bank accelerates the cultivation of mobile payment ecology, actively expands multi-channel integration and interoperability, continuously expands payment channels, and improves payment efficiency; accesses the UnionPay Cloud Flash Payment online payment platform, completes the transformation of active scanning and passive scanning of mobile banking, and exports the basic service capabilities of UnionPay platform to the Bank’s mobile banking, adding new momentum to stimulate the vitality of the consumer market. In 2023, the number of online payment transactions amounted to 549,812,400, representing a year-on-year increase of 37.15%, and the amount of which totaled RMB260,104 million, representing a year-on-year increase of 19.85%.

Internet-based loan

During the Reporting Period, the Bank’s Internet-based loan closely followed the changes in market regulatory policies. The Bank innovated its Internet self-operated loan products from asset investment, core source of profit, risk control model construction and other perspectives, to comprehensively advance the development of the Internet-based loan business. As of the end of 2023, the balance of personal online loans under the management of the Internet-based Loan Centre of the Bank was RMB45,972 million, representing an increase of RMB5,201 million from the end of 2022, and the revenue of the business reached RMB1,850 million. The overdue amount of loans was RMB1,297 million with an overdue payment rate of 2.82%. The balance of NPL was RMB844 million with an NPL ratio of 1.84%.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.6 Financial business for small and micro enterprises

In 2023, the Bank continued to implement the decision and deployment of the competent authorities and regulatory authorities on strengthening financial services for small and micro enterprises, innovate products and services, increase the placement of credit loans, and strengthen the quality of financial services for micro and small enterprises. As of the end of 2023, the balance of loans to national-standard small and micro enterprises of the Bank was RMB377,232 million, representing a net increase of RMB62,613 million as compared with the beginning of the year. Among them, the balance of inclusive loans to small and micro enterprises with the credit granted to a single customer less than RMB10 million (inclusive) was RMB130,519 million, representing a net increase of RMB25,965 million or 24.83% as compared with the beginning of the year; the number of accounts was 209,900, achieving a net growth of 34,200 from the beginning of the year.

5.9.7 Fintech business

The Bank adheres to the spirit of the Central Financial Work Conference on the development of science and technology financial events, deeply implements the work deployment and requirements of the Anhui Provincial Party Committee and the provincial government on the reform of science and technology finance, helps with the construction of an innovative province, and builds the brand of science and technology finance for Huishang Bank. In 2023, the head office established the first level department of Science and Technology Innovation Finance Department, and set up the science and technology innovation finance center in 5 branches in Hefei, Wuhu, Bengbu, Chuzhou and Ma'anshan. It has 8 specialised franchise branches in Anhui Province, creating a "1+5+N" science and technology innovation finance organizational structure.

The Bank thoroughly implemented the national innovation-driven strategic deployment. Closely focusing on the integration of the Yangtze River Delta, the construction of the G60 Science and Technology Innovation Corridor and the free trade zones, it has taken the initiative to focus on technology-based enterprises, and innovatively developed scientific and technological financial services through the integration of industry and finance, etc., in order to create a scientific and efficient system of scientific and technological financial services. As of the end of 2023, the balance of loans to technology-based enterprises amounted to RMB76,442 million, representing a net increase of RMB17,912 million or 30.6% as compared with the beginning of the year. The number of technology-based enterprise loan customers amounted to 6,617, representing an increase of 53.7%.

The Bank has established a normal service connection mechanism for science and technology innovation enterprises, focusing on various parks, science and technology innovation carriers, investment promotion, talent and intelligence projects, investment funds and other channels. In 2023, the Bank carried out 255 series of matching events such as "Billions to Help Thousands of Enterprises" and the "Joint Growth Plan into the Park", connecting with 7,737 enterprises. A total of 1,830 enterprises had entered into an agreement of the "Joint Growth Plan", with the agreed credit amount of RMB26,612 million.

The Bank actively carried out products and services innovation such as "Loan and Investment Batch Linkage", "Growth Relay Loan" and "High-growth Enterprise Financing", continued to promote the application of the "Technology Flow" evaluation system, and optimized online credit products such as "Technology e-Loan" and "Initial Innovation e-Loan". As of the end of 2023, online credit loans of RMB7.85 billion were provided to 2,772 science and technology enterprises.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.8 Green finance business

The Bank adheres to the guidance of Xi Jinping's Thought on Ecological Civilization, conscientiously implements the relevant decisions and arrangements of the central and local on green finance, focuses on achieving goal of "carbon peak and carbon neutrality", increases the credit investment in green industries to support the green transformation of the economy and society.

The Bank fully displayed its comprehensive financial advantages, established and improved a multi-layered green finance product spectrum with wide coverage, covering green credit, green bonds and green investments, continuously promoted the development of the green finance business and provided strong financial support for comprehensive and green transformation in economic and social development in Anhui Province.

In 2023, the Bank joined the Green Finance Committee of China Society for Finance and Banking and actively participated in relevant research activities of the committee in the capacity of a member. The Bank successfully handled the first carbon emission reduction support tool and became one of the first batch of local corporate financial institutions in Anhui Province that implemented carbon emission reduction support tool; The Bank actively carried out the pilot work on environmental information disclosure and the pilot work of comprehensive evaluation of green finance of the PBOC, continued to improve the green finance system and service capacity, and promoted the high-quality development of green finance of the Bank.

As of the end of 2023, the green loan balance of the Bank amounted to RMB82.404 billion in total, representing an increase of RMB27.827 billion or 50.99% as compared with the end of 2022. Among which, the green loan balance in Anhui Province amounted to RMB75.013 billion in total, representing an increase of RMB24.804 billion or 49.40% as compared with the end of 2022. The balance of corporate green loans accounted for 9.06% of the balance of loans of the Bank in domestic and foreign currencies, representing an increase of 2.08 percentage points as compared with the end of 2022.

5.9.9 Subsidiaries and major companies in which the Bank has shareholdings

Subsidiaries

Huishang Bank Financial Leasing Co., Ltd.

Registered in Hefei, Huishang Bank Financial Leasing Co., Ltd. ("Huishang Bank Financial Leasing") officially commenced its business on 30 April 2015 with an initial registered capital of RMB2,000 million. The Bank contributed RMB1,020 million to the registered capital of Huishang Bank Financial Leasing, accounting for 51% of its shareholding. The registered capital of Huishang Bank Financial Leasing increased to RMB3,000 million in March 2018, to which the Bank contributed RMB1.62 billion, accounting for 54% of its shareholding. As of the end of 2023, the principal balance of unaudited lease assets of Huishang Bank Financial Leasing amounted to RMB62,138 million, it had total assets, total liabilities and owners' equity of RMB65.998 billion, RMB58.295 billion and RMB7.703 billion, respectively, achieving net profit of RMB917 million for the year.

Chapter V Management Discussion and Analysis

5.9 BUSINESS OPERATION (CONTINUED)

5.9.9 Subsidiaries and major companies in which the Bank has shareholdings (Continued)

Subsidiaries (Continued)

HSBank Wealth Management Co., Ltd.

HSBank Wealth Management Co., Ltd. (徽銀理財有限責任公司) (“HSBank Wealth Management”) officially commenced business on 28 April 2020. Incorporated in Hefei with a registered capital of RMB2 billion, HSBank Wealth Management was wholly funded by the Bank. As of the end of 2023, HSBank Wealth Management had unaudited total assets, total liabilities and owners’ equity of RMB4.453 billion, RMB143 million and RMB4.310 billion, respectively.

Wuwei Huiyin Rural Bank Co., Ltd.

Registered in Wuwei City, Wuwei Huiyin officially commenced its businesses on 8 August 2010. Its registered capital was RMB100 million, to which the Bank contributed RMB40 million, accounting for 40% of its shareholdings. As of the end of 2023, Wuwei Huiyin had unaudited total assets, balance of various loans and balance of various deposits of RMB3.874 billion, RMB2.491 billion and RMB3.607 billion, respectively.

Jinzhai Huiyin Rural Bank Co., Ltd.

Registered in Jinzhai County of Lu’an City, Jinzhai Huiyin officially commenced its businesses on 28 June 2013 with a registered capital of RMB80 million, to which the Bank contributed RMB32.80 million, accounting for 41% of its shareholdings. As of the end of 2023, Jinzhai Huiyin had unaudited total assets, balance of various loans and balance of various deposits of RMB2.477 billion, RMB1.926 billion and RMB2.116 billion, respectively.

Major companies in which the Bank has shareholdings

Chery Huiyin Motor Finance Service Co., Ltd.

Registered in Wuhu City, Chery Huiyin Motor Finance Service Co., Ltd. (“Chery FS”) was established on 13 April 2009. Its initial registered capital was RMB500 million, to which the Bank contributed RMB100 million, accounting for 20% of its shareholdings. In December 2012, the registered capital of Chery FS increased to RMB1,000 million, to which the Bank contributed RMB200 million, accounting for 20% of its shareholdings and the registered capital of Chery FS increased to RMB1,500 million in December 2017, in which the Bank held 300 million shares, accounting for 20% of its shareholdings.

Mengshang Bank Co., Ltd.

Mengshang Bank Co., Ltd. was established on 30 April 2020 in Baotou City. Its registered capital was RMB20 billion, in which the Bank held 3.0 billion shares, accounting for 15% of its shareholdings.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT

In 2023, in the face of complex and volatile economic and financial situation at home and abroad, the Bank focused on high-quality development objectives, fully implemented the requirements of banking supervision and regulation, adhered to the risk appetite featuring “prudence, rationality and soundness”, and centered on two main lines, namely “stabilizing the asset quality and improving the risk management capability”. Based on the overall guideline of “optimizing systems, speeding up in transformation, supporting digital and intelligent development and implementing policies based on different categories”, the Bank solidly improved overall risk management, effectively conducted risk management in key areas, continuously deepened the digital transformation in risk control, and effectively guaranteed overall risk prevention and control of the Bank.

5.10.1 Credit risk management

Credit risk refers to the risk of loss due to the default of the debtors or counterparties or the reduction in their credit ratings and performance capabilities. Credit risk is the major risk currently faced by the Bank, mainly involving on – and off-balance credit risk exposures in relation to loans, interbank lending, funds, guarantees, commitments, etc.

In 2023, the Bank actively laid out high-quality incremental assets, conducted differentiated asset quality assessments, continued to promote governance in key areas by focusing on customer access and risk monitoring, and orderly promoted the “four batches” special action, effectively ensured that the Bank’s credit risk appetite indicators meet the limits. Please refer to Section 5.4 “Loan Quality Analysis” in this annual report for the distribution structure.

5.10.2 Large-scale risk exposure management

In accordance with the Management Measures for Large-Scale Risk Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》), large-scale risk exposure refers to the credit risk exposure (including various credit risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net tier 1 capital. The Bank has incorporated large-scale risk exposure management into its overall risk management system, continuously monitored changes in large-scale risk exposures and regularly reported on large-scale risk exposure indicators and related management work to regulatory authorities, so as to effectively control customer concentration risks. Single non-financial institution customers, non-financial group customers, single financial institution customers and financial group customers of the Bank that reached the standards of large-scale risk exposure were all in compliance with the regulatory requirements.

5.10.3 Market risk management

Market risk refers to the risk of on- or off-balance-sheet loss caused by changes in interest rates, foreign exchange rates and other market factors.

In 2023, the Bank continued to strengthen the market risk control of capital business, strictly carried out the market risk limit management, strived to enhance the ability to identify and manage market risks, and constantly improved the systematization level of market risk prevention and control. At the same time, the Bank actively strengthened the analysis and control of market counterparty risks, optimized and adjusted investment strategies as appropriate, reasonably controlled the investment pace, and effectively avoid the losses of the Bank caused by interest rate and exchange rate fluctuations.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.4 Operational risk management

Operational risk refers to the risk of loss arising from flawed or problematic internal procedures, personnel, IT systems and external events.

In 2023, the Bank continued to enhance the quality and effectiveness of the operational risk management, and constantly improved the quality of the data on loss, promoted process optimization, and focused on improving the ability to control operational risk based on refined management as the standard. The operational risk indicators basically meet the risk appetite limit requirements of the Bank. From the perspective of daily monitoring, the operational risk events of the Bank are still mainly classified as "high-frequency, low-risk". Overall, the operational risk control throughout the Bank is basically effective.

5.10.5 Liquidity risk management

Liquidity risk refers to the risk that the Bank is unable to satisfy its customers' needs for repayment of liabilities due, new loans and reasonable financing, or to satisfy these needs at a reasonable cost. The Risk Management Committee under the Board of the Bank and the Assets and Liabilities Management Committee and the Risk and Internal Control Management Committee under the senior management assume joint responsibilities for formulating policies and strategies on overall liquidity risk management.

The Bank's liquidity risk management aims to balance the relationship among "liquidity, safety and profitability", improve the liquidity management level, safeguard the sustainable and healthy development of various businesses, and implement the risk appetite featuring "prudence, rationality and soundness" of the Board of Directors, ensuring that the Bank has sufficient funds to meet expected and unexpected capital requirements (including loan growth, deposit withdrawals, debt maturity, and changes in off-balance sheet irrevocable commitments) in a normal operating environment and under stress, so as to provide a stable liquidity environment for continuing operations and promote positive interaction between liquidity management and business development. The Bank strengthens the liquidity risk management on a forward-looking basis, enhances the anticipation of market situation, and effectively manages and dynamically adjusts its strategies. At the same time, the Bank implements the coordinated management of liquidity and assets and liabilities, makes reasonable adjustments to the scale and structure of assets and liabilities according to changes in market conditions and the development of business needs, to ensure its liquidity while pursuing profit growth and value growth and achieve the goal of "liquidity, safety and profitability" of bank capital in union. In accordance with the requirements of liability quality management and the principle of adapting to business strategy, risk preference and overall business characteristics, the Bank coordinates the systems and procedures of liability quality management and various risk management, and establishes and improves the liability quality management system. The Bank also strengthens the liability quality management on the basis of the "six elements" of the stability of liability sources, the diversity of liability structure, the rationality of the matching between liabilities and assets, the initiative of liability acquisition, the appropriateness of liability costs, and the authenticity of liability items. The Bank emphasizes on risk prevention and mitigation while promoting business development and profit growth. The Bank stresses the importance of "ensuring adequate liquidity" and flexibly manages and controls the percentage of liquidity asset portfolio with the highest efficiency. According to its own characteristics and external market environment, the Bank has formulated liquidity scenarios under stress, conducted stress tests of liquidity risks regularly to analyze the ability of coping with liquidity risks or shocks, and continuously improved stress testing methods in accordance with regulatory and internal management requirements. During the Reporting Period, the results of stress tests demonstrated that the Bank's liquidity risk was under control under multiple scenario stress assumptions. Meanwhile, the Bank has formulated contingency plans to prevent potential liquidity crisis and takes effective emergency measures to control the spread of risks under liquidity crisis scenarios.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.5 Liquidity risk management (Continued)

According to the business development of assets and liabilities of the Bank and the liquidity position, the Bank kept a close attention on the macro regulatory policies and the situation of fund markets, and adjusted the liquidity management strategy and the pace of funds operation in a dynamic manner in response to the impact related to stage and season factors on the liquidity position, in order to practically improve the ability of handling current risks. As of the end of 2023, the liquidity coverage ratio of the Bank was 287.05%, while the qualified quality liquidity assets amounted to RMB128.960 billion and net cash outflow in the next 30 days was RMB44.926 billion. As of the end of September 2023, the net stable capital ratio of the Bank was 116.00%, while the available stable capitals reached RMB1,095.518 billion and the required stable capitals amounted to RMB944.401 billion. As of the end of December 2023, the net stable capital ratio of the Bank was 118.54%, while the available stable capitals reached RMB1,118.087 billion and the required stable capitals amounted to RMB943.192 billion.

5.10.6 Interest rate risk management

Interest rate risk in the banking book refers to the risk that the economic value and overall earnings of the banking book may be subject to loss due to adverse movement in interest rates, term structure and other factors, mainly including gap risk, basis risk, and option risk. The interest rate risk in the banking book to which the Bank is exposed mainly arise from the mismatching of the maturity or repricing term structure of its banking portfolio. To measure such risk, the Bank mainly uses two methods: repricing gap analysis and scenario analysis. The Bank manages its interest rate gap by analyzing how changes in the interest rate curve affect its assets and liabilities and giving consideration to the overall interest rate sensitivity gap.

The Bank's financial assets and liabilities are mainly denominated in RMB. As the benchmark interest rates for RMB deposits are determined by the PBOC and the RMB loan prime rate (LPR) is released by the National Interbank Funding Center upon the authorization of the PBOC, the Bank follows the interest rate policies issued by the PBOC when carrying out deposit taking and lending activities.

In 2023, the Bank promoted the management of the RMB deposit and loan interest rate, improved the loan pricing management process and vigorously implemented a market-based deposit interest rate adjustment mechanism, so as to improve its interest rate risk pricing capability and put the interest rate risk within the tolerable range of the Bank through various ways.

First, the Bank improved the framework and process for the management of the interest rate risk in the banking book, optimized the management mechanism of the interest rate risk, and continuously improved the interest rate risk management standard. Second, the Bank took into account the interest rate sensitive gap as a whole, continuously strengthened the duration management, provided decision-making recommendations for the reasonable adjustment and determination of the pricing methods for investment portfolios and deposit and loan portfolios based on monetary policy guidelines, and thus ensured the steady growth of the earnings of the Bank in the event of interest rate changes. Third, the Bank prudently conducted stress tests on the interest rate risk in the banking book to measure and forecast the interest rate risk tolerance in banking book, and thus improve its interest rate risk management in the banking book under extreme scenarios.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.7 Exchange rate risk management

Exchange rate risk is the risk of loss of the Bank arising from the duration mismatch of its positions in a particular foreign currency and non-RMB denominated asset and liability due to adverse changes in the exchange rate. The Bank's foreign currency assets and liabilities are mainly denominated in U.S. Dollars, while the rest are denominated in Euros, Hong Kong Dollars, Japanese yen, etc.

The Bank actively enhanced the prospective research and judgement on exchange rate market trends, measured its exchange rate risk through qualitative and quantitative analysis, and maintained the potential losses arising from exchange rate risk within the tolerable range by measures such as hedging, limit-based management, Value at Risk (VaR) measurement and stress testing to make great efforts to maximize its risk-adjusted earnings.

The foreign exchange spot, forward and options transactions of the Bank are mainly transactions conducted on behalf of customers, and the foreign exchange swap business has no foreign exchange exposure. Meanwhile, the Bank maintained reasonable proprietary position exposures in line with the Bank's limit-based management, and strictly controlled its foreign exchange exposures within the limit of combined exposures approved by Anhui Branch of the State Administration of Foreign Exchange to prevent exchange rate risk.

5.10.8 Reputation risk management

Reputation risk refers to the risk of negative comments to the Bank by relevant stakeholders, the public and the media as a result of the operation and management of the Bank, the behavior of its practitioners or external events, which may damage its brand value, adversely affect normal operation, or even affect market stability and social stability.

Reputational risk management, as an important part of the Bank's corporate governance and comprehensive risk management systems, covers all behaviors, business activities and business areas of the Bank and its subsidiaries. The Bank has developed and built reputational risk management measures and requirements to actively and effectively prevent reputational risk and cope with reputation events, with a view to minimizing the resulting losses and negative impacts. The Bank prioritizes risk prevention and focuses on monitoring, analysis and early warning of public opinions in its daily operation. In addition, the Bank quickly resolves any easy misunderstanding or misinterpretation of information with an effective management system. Meanwhile, the Bank actively carries out external publicity and participates in a broad range of social welfare undertakings and public activities to live up to its corporate social responsibility, in an effort to build a sound corporate image. In 2023, the Bank effectively managed its reputation risk. There was no material reputation risk incident occurred throughout the year. The Bank maintained a good relationship with the media, and the media provided favorable overall feedback.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.9 Compliance risk management

Compliance risk refers to the risk that commercial banks may be subject to legal sanctions, regulatory punishments, major financial losses, or reputation damage as a result of their violation of laws and regulations, rules and criteria.

The Board of Directors of the Bank takes the ultimate responsibility for the compliance of the Bank's operation activities. The Risk Management Committee under the Board of Directors monitors compliance risk management effectively. The Board of Supervisors is responsible for supervising the performance of the Board of Directors and the senior management of their duties on compliance management. The senior management is responsible for managing compliance risk, conducting regular assessments on compliance risk and submitting compliance risk management reports to the Board. The Bank has established a robust compliance risk management system and organizational structure, forming three defense lines at front, middle and back offices interactive with each other, and the vertical double-line reporting system amongst the head office, branches and sub-branches. It also constantly improved and perfected the compliance risk management system and mechanism so as to ensure effective management and control of compliance risk.

During the Reporting Period, the Bank strived to put internal control as its priority, and established the philosophy of facilitating development through compliance and preventing risks through internal control. The Bank constantly implemented various requirements of external regulatory authorities, and strengthened the establishment of internal control system. Hence, the compliance risk management mechanism operated effectively, with favorable comments coming from external regulatory authorities. In 2023, the Bank continuously conducted special work such as the assessment on compliance risk, iteration and upgrading of anti-money laundering system, and case prevention and staff behavioral management evaluation, and continued to improve internal balanced system and promoted and implemented it throughout the Bank to actively promote the establishment of compliance culture. It continued to improve its institutional management system, conducted post system evaluation, optimized the compliance risk identification and assessment process. It issued the rules and regulations on the management of related transactions, set up a related transaction administration office, continuously optimized the related transaction administration system. It also standardized on-site inspection of the Bank to enhance the quality and efficiency of inspection and supervision, intensified the results of issues rectification, strengthened accountability system for non-compliance, improved the authorization management system, optimized the assessment indicators of "management and internal control" and increased the support for legal compliance review and business product, thereby offering protection for the operation of the Bank in compliance with laws and regulations.

Chapter V Management Discussion and Analysis

5.10 RISK MANAGEMENT (CONTINUED)

5.10.10 Anti-money laundering management

The Bank attached great importance to anti-money laundering and strictly complied with relevant laws and regulations aiming at preventing and controlling money laundering activities, with sound measures vigorously carried out across the Bank.

During the Reporting Period, the Bank put into practice the principle of “risk-based”, promoted the transformation to intensive, elaborate and professional operation of anti-money laundering. Based on the concepts of “models for capturing indicators of the characteristics of cases”, the Bank deeply analyzed “Notice of Money Laundering Risks” issued by the regulatory authorities and typical cases of money laundering in the region, judged the latest money laundering trends in its operation areas and the types of major money laundering risks faced by the Bank, achieved the conversion from “relying on external thinking” to “self-developed” in model research and development and explored full life cycle management of models for monitoring. The Bank focused on improving the quality and efficiency of its anti-money laundering work, promoted the completion of the centralization of anti-money laundering operations across the Bank, provided ideas for business risk control through research and identification of suspicious activities, constantly improved the money laundering management level and safeguarded healthy development of business. The Bank carried out the anti-money laundering audits and focused on the implementation of the regulatory requirements for anti-money laundering, including internal control environment construction for anti-money laundering, data governance, information system management, customer identification, money laundering risk management, anti-money laundering checking and internal and external inspection and rectification. The Bank constructed an anti-money laundering education base in Anhui Province, actively participated in antimoney laundering competitions and research activities organized by regulatory authorities, continuously strengthened the construction of anti-money laundering talent team.

5.11 INFORMATION TECHNOLOGY

During the Reporting Period, in terms of information technology, the Bank centered on the goals of the digital banking system construction and promoted the orderly implementation of financial technology strategic plan based on the positioning of value creation. It strengthened proprietary controllable development of applications, focused on the improvement of technological guarantee and support capabilities and provided customers with higher-quality technical services. The number of information technology staff of the Bank was 640, accounting for 5.51% of the total number of employees.

Firstly, powerful advancement with data empowerment. The Bank enhanced data governance by strengthening data management and control from the source, improving the quality of basic data, and implementing classified and hierarchical management of data security, so as to improve the standard of data governance. Optimized the intelligent analysis cloud platform and released manuals of data products to provide customized data services, and continuously enrich the data service window. It sped up the construction of the middle office, initiated the project on a new-generation database, constructed an enterprise-level metadata information database, put the data mart of risk areas into operation, and launched external data management system, thus effectively improving the efficiency of data services. Leveraging its big data laboratory, the Bank carried out the independent R&D of intelligent anti-money laundering models, the model of “Enjoying Huishang Bank in Salary Loans” (徽享薪易贷) and the digital risk and control model of the transaction banking to facilitate data to empower business high-quality development.

Chapter V Management Discussion and Analysis

5.11 INFORMATION TECHNOLOGY (CONTINUED)

Secondly, the integration of business technologies will be strengthened. By appointing IT staff to major business units, establishing agile teams, and building customer experience enhancement communication platforms, etc., the information technology department has deepened its industry-technology integration and collaboration with major business lines, branches and subsidiaries. Remarkable results have been achieved in the promotion of key projects, the development of new finance ecology and scenarios, the application research and development of new technologies, the optimization of information system customer experience, and the improvement of autonomous and controllable ability. We continued to strengthen the protection of proprietary and controllable development results, and declared and obtained 17 software copyrights throughout the year.

Thirdly, continuous improvement in the digital base infrastructure. The Bank carried out the construction of an innovative private cloud platform for information technology applications, the construction of a new generation of wide area network infrastructure, and the construction of green and high-availability data centers, and built a new digital infrastructure that was secure, efficient, and resilient. Promote the construction of a unified monitoring platform and a science and technology resource allocation management platform, and improved the intelligent level of science and technology operations and maintenance. Established a laboratory specialised in security attack and defense, built a unified internet entrance for subsidiary institutions, strengthened the Group's science and technology management, continued to improve terminal security measures such as data leakage prevention, and constantly improve network security protection capabilities, thus providing creditable, manageable and controllable network security guarantee for business development.

5.12 SOCIAL RESPONSIBILITY

The Bank adhered to the values of "treating people with sincerity, upholding justice while pursuing interests", honored the mission of "achieving dreams for customers, creating value for shareholders, promoting employee development and assuming responsibility of citizenship", and has drawn up the vision of "Creating First-Class Quality and Building a Centennial Huishang Bank", as well as established the core value of "Integrity, Stability, Innovation and Harmony". In the "Strategic Plan 2021-2025", the Bank clearly puts forward the overall strategic positioning of building an "excellent local mainstream bank" in all aspects, building an excellent corporate culture, integrating the excellent traditional culture of Huishang Bank, and achieving the trust of customers, respect of peers and pride of employees in terms of vision, mission, philosophy, conduct and core value. In 2023, the Bank formulated and promoted the "Key Points of Corporate Culture Construction in 2023" in accordance with the latest strategy and the "2020-2024 Implementation Opinions of Huishang Bank on the Construction of Corporate Culture", and endeavored to build a high-quality corporate culture that is in line with the development strategy of Huishang Bank, with the spirit of the times and the characteristics of Huishang Bank. We will keep abreast of the times to enrich the connotation of our corporate culture, promote the promotion and solidification of our corporate culture, give full play to the role of cultural leadership, forge consensus, unite and strive to build an excellent local mainstream bank, and provide cultural support for the new journey of high-quality development of Huishang Bank.

In 2023, the Bank continued to proactively implement its corporate culture, perform social responsibilities of an enterprise, implement in-depth restructuring and improving projects in nine major areas, coordinated shareholders, customers, employees and other stakeholders, achieving the full improvement of economic, environmental and social benefits, as well as the coordinated development in terms of scale, quality, structure and efficiency, which have been widely praised by all sectors of society and granted many awards and honors.

Chapter V Management Discussion and Analysis

5.12 SOCIAL RESPONSIBILITY (CONTINUED)

The Bank actively implemented policies to help ease enterprises' burden, focused on strengthening financial services to support real economic demands, made targeted efforts in promoting inclusive finance to reduce corporate financing costs and support the development of SME(s), making its contribution to stabilizing economic market. The Bank continuously strengthened the role of green credit in leverage adjustment by promoting green credit to support low-carbon economy. The Bank actively gave full play to the professional advantages of financial enterprises, mobilized and united the strengths of the entire Bank, and empowered rural revitalisation to support the development of "Rural Issues". The Bank continuously developed a "secure Huishang Bank", focused on the long-term construction of a comprehensive, full-staff and full-process risk management system, and enhanced its risk management and operation capabilities to resolutely maintain the bottom line of non-occurrence of systemic risks. The Bank advocated green office, energy saving and environmental protection to reduce the negative effects of its daily operation on the environment as much as possible. The Bank actively advocated public spirit, continuously promoted public concepts on people's livelihood, environmental protection and charities and advocated staff to participate in voluntary activities and jointly created branded public welfare projects in the areas of respecting the elderly, assisting the disabled and helping the needy, and fully displayed the image of the Bank as an excellent corporate resident. Being people-oriented, the Bank paid attention to employee capacity building, cared about the physical and mental health of its employees to create a positive and harmonious corporate culture. The Bank maintains its market positioning as a city commercial bank, strives to do a good job of developing technology finance, green finance, inclusive finance, pension finance and digital finance, takes practical actions to help Anhui Province build "Three Places and One District" and "Seven Strong Provinces", and supports the economic and social development of Anhui in all aspects. The Bank strives to be an outstanding local mainstream bank with good customer experience, distinctive advantages, solid risk control capability and diversified comprehensive services.

5.13 CONSUMER PROTECTION

In 2023, the Bank continued to enhance the awareness of consumer protection and service concept, further perfected the work mechanisms on consumer protection, implemented effectively the whole process of complaint management and control and continued to deepen the review and supervision on consumer protection. The Bank constantly strengthened the consumer protection work of the main business areas, to increasingly consolidate the brand effect of financial knowledge promotion and improve steadily the efficiency of consumer protection work. It completed over 3,000 reviews on consumer protection relating to product and service systems and measures, cooperation (outsourcing) agreements and contracts, marketing activities and promotion materials, etc.; conducted over 140 specific trainings on consumer protection, covering medium and senior management, grass-roots business staff and new employees with more than 23,400 person-times; conducted over 5,600 online and offline education and publicity activities with over 40.00 million person-times. As of the end of 2023, the Bank accepted a total of 2,423 customer complaints, representing an increase of 407 or 20.19% as compared with last year, mainly involving the credit card business, personal loan, account management and internet loan business. Such complaints were mainly in Hefei, Nanjing, Wuhu, Bengbu and other areas.

5.14 PROSPECTS AND MEASURES

5.14.1 Prospect on the trend of economic development

1. *Prospect on the global economy*

According to the World Bank's forecast, the global economic growth will slow further in 2024, due to tighter monetary policies, restricted credit conditions, weak global trade and investment, and other factors. As global economic growth is challenging, the World Bank believes that increasing investment will help quickly restore production, increase labor productivity, boost global trade, promote foreign direct investment, and reduce the inflation rate.

Chapter V Management Discussion and Analysis

5.14 PROSPECTS AND MEASURES (CONTINUED)

5.14.1 Prospect on the trend of economic development (Continued)

2. *Economic development trend in China*

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, and is also crucial for the implementation of the national "14th Five-Year" Plan. China has a large-scale market and great market and development potential brought by further coordinated development between urban and rural areas and between other areas. Thus, a new development model is forming at an accelerated pace. China has a complete industrial system, abundant high-quality human resources, and improved software and hardware infrastructure network. China has rapidly enhanced its innovation capacity, promptly formed and accelerated new drivers of growth, and stimulated its own new development vitality with new productive forces. China is continually strengthening its economic shock resistance and resilience, and comprehensively facilitating high-quality development. China promotes the construction of a strong financial powerhouse and strives to do a good job of developing technology finance, green finance, inclusive finance, pension finance and digital finance through reform and innovation. All the above will further strengthen the foundation for consolidating the economic upturn in the short term and improving development in the long term.

5.14.2 Measures of the Bank

In 2024, the Bank will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the leadership of the Party and bear people's interests in mind in financial work. Leveraging the leading role of Party building and focusing on implementation of projects in nine major areas, the Bank will focus on enhancing our professional capabilities in all respects, expedite reform and innovation, deepen transformation and development, strive to do a good job of developing technology finance, green finance, inclusive finance, pension finance and digital finance, make strides in building an outstanding local mainstream bank, and compete for becoming a benchmark for the banking industry in serving the high-quality development of Anhui Province in the new era.

Serving the real economy in all respects. To align with Anhui Province's strategic positioning of "Three Places and One District" and the objective of building "Seven Strong Provinces", we will take serving high-quality development of the real economy as our primary task by continually doubling our efforts to deliver high-quality financial services for key areas and weak links of the economy such as the construction of a modern industrial system, technological innovation, green development, and inclusive finance for small and micro enterprises. We will fully support the "highest priority industry" of new-energy vehicles in Anhui Province, improve the financing support system for science and technology innovation enterprises throughout the entire lifecycle and supply chain, establish a multi-layered green finance product spectrum with wide coverage, and strive to form unique characteristics and enhance brand awareness. We will accelerate the high-quality development of county-level institutions, vigorously boost the market share in counties, support the "Over 1,000 Demonstrative Villages and Over 10,000 Central Villages (千萬工程)" and the construction of beautiful countryside in Anhui Province, provide precise services to medium, small and micro enterprises, rural revitalization, people's livelihood, and benefit more weak links.

Chapter V Management Discussion and Analysis

5.14 PROSPECTS AND MEASURES (CONTINUED)

5.14.2 Measures of the Bank (Continued)

Continuously deepening transformation and development. We must unwaveringly promote transformation and development, step out of our comfort zones, develop new tracks, and cultivate new competitive advantages. Adhering to the concept of “conducting marketing activities and delivering services with the big picture in mind”, leveraging the Bank’s advantages of multiple licenses and group operation, effectively connecting various resources and service methods both inside and outside the province, financial peers and collaborating institutions, to create differentiated and distinctive competitive advantages through comprehensive financial services. We should vigorously develop light-capital business operations, including investment banking, transaction banking, and asset custody to steer our business model toward capital-light development at a quicker pace. Based on the three business lines of personal credit, Internet lending and credit cards, we integrate online and offline operations to create a competitive product system. We should accelerate the upgrading of mobile banking, the construction of remote banking and the promotion of open banking to provide customers companion, digital intelligence integration, safe and convenient mobile financial services. We will focus on “platform construction, data governance, integration of business with technology, agile development, in-house development of IT system” to systematically promote the implementation of financial technology strategic planning projects.

Accelerating the development of professional capabilities. We will continue to deepen the construction of the customer group system, implement tiered marketing management mechanisms, focus on enhancing the digital intelligence capabilities, platform capabilities and customer acquisition capabilities of customer group operations, and promote digitalization of customer marketing, intelligent management, and efficient service. Increase the marketing breakthroughs for institutional, corporate, and major strategic customers, striving to establish an industry template in our professional field. We need to strike a balance between scale and benefit, stabilize interest spreads, reduce costs, increase income from intermediary business, and enhance the ability to create value. We will strengthen the linkage between the parent and subsidiaries, front, middle and back offices, improve the ability of the headquarters to serve branches, enhance team collaboration and deepen coordinated development. Accelerate the development of digital and intelligent systems, collaboratively drive digital operations, cultivate digital capabilities and awareness of data governance, and empower customer groups, channels, marketing, and business management in all aspects. Based on the need of transformation and development, we will intensify the recruitment, development, introduction, and nurturing of professionals in five areas: data technology, financial markets, wealth management, investment banking, and credit evaluation. We will improve the professional training system and continuously enhance the financial thinking and work capabilities of our cadres and employees.

Strengthening the management of risk control and internal control. Focusing on key areas and critical links, the Bank will gradually establish a comprehensive risk management system that covers all aspects horizontally and vertically, and strive to enhance the management level of “pre-event risk, quantitative risk, operational risk, comprehensive risk”, promoting the transformation of from being driven by experience to being driven by data, from post-event disposal to advance warning, and from credit risk to the full coverage of all risks. We will propel the construction of an enterprise-level risk control middle office, coordinate the management of various risk control models, and continuously iterate and upgrade the digital risk control system. Heightening our awareness of compliance operation, we will strengthen risk management and control in areas such as the Internet, PPP, and weak platforms, and coordinate the work of public opinion monitoring, safe production, and business continuity. We will speed up the advancement of the reform for pilot programs of collective credit granting, the improvement in the parallel operation mechanism, and the exploration of the system of full-time credit approvers. We will strengthen post-loan and post-investment management, focus on preventing large-scale risk exposures, intensify efforts to dispose of non-performing assets and recover off-balance-sheet non-performing loans and adopt multiple measures to improve asset quality.

Chapter VI Report of the Board of Directors

The Bank presents the annual report and audited financial statements of the Bank and its subsidiaries for the year ended 31 December 2023.

6.1 PRINCIPAL BUSINESS

The business scope of the Bank includes banking business; securities investment funds custody; sales of publicly offered securities investment funds; foreign exchange settlement and sale business; foreign exchange business.

6.2 PARTICULARS OF BUSINESS

6.2.1 External environment faced by and business and operation development of the Bank

1. *Analysis of the environment of our main operating areas*

At present, Anhui Province is in a rising and critical period of solid accumulation, strong momentum and great potential. The growth rate of its major economic indicators outpaced that of the whole country, its regional innovation capability stood firmly in the forefront of the country, its highest priority industry developed rapidly, the strategic emerging industry clusters gained momentum, new productive forces increased rapidly, and the steady and upward development trend further consolidated. In 2023, the gross domestic product of Anhui Province amounted to RMB4.71 trillion, an increase of 5.8%, 2.3 percentage points higher than the previous year and 0.6 percentage point higher than the national level. Its growth rate of industry, investment, import and export, deposits and loans also outpaced that of the whole country. The added value of industries above the designated scale of the year increased by 7.5% compared to the previous year. The fixed asset investment increased by 4%, of which manufacturing investment increased by 20%. Total imports and exports increased by 7.8%. The province's RMB loans increased by 15.8% year-on-year, the loan growth rate ranked first in the country for 13 consecutive months, and the new loans exceeded RMB1 trillion. In addition, five branches of the Bank outside the province are located in fast-growing cities or central cities in terms of economy nationwide, with enormous financial resources, active product innovation and high customer quality, providing an excellent foundation for the business development of the branches outside the province.

2. *Business performance of the Bank in 2023*

During the Reporting Period, in the face of the complex and volatile internal and external situations, the Bank fully reinforced Party building, and continued advancing transformation. Hence the Bank's business performance has been steadily improved with its core competence consistently boosted. The Bank has steadily moved on to a new stage of building and developing an outstanding local mainstream bank.

Firstly, comprehensive operating capacities have been significantly boosted. During the reporting period, our asset size exceeded 300 billion yuan. The deposits taken through our main business operations exceeded one trillion yuan for the first time and our Core Tier 1 capital surpassed 100 billion yuan. The operating income maintained positive growth and the main operating indicators reached the best level in history.

Chapter VI Report of the Board of Directors

6.2 PARTICULARS OF BUSINESS (CONTINUED)

6.2.1 External environment faced by and business and operation development of the Bank (Continued)

2. *Business performance of the Bank in 2023 (Continued)*

Secondly, the corporate brand image has been markedly enhanced. We successfully hosted the Yangtze River Delta Financial Integration Forum and the 13th Yangtze River Delta Joint Conference of Urban Commercial Banks. We issued RMB40 billion of financial bonds, reaching an all-time high in terms of issue size. The implied rating of China Bond was upgraded to the highest level of urban commercial banks, and the operating capacity was widely recognized by regulatory authorities, rating companies and peer institutions.

Thirdly, customer services were better delivered in all aspects. The numbers of quality personal customers and corporate deposit accounts were increased. Making use of the synergy of the Group, we put continuous efforts into the joint operation of our investment banking business, underwriting business, custody business and agency sales business, with the total assets under custody exceeding one trillion yuan. We were recognized as Excellent Bond Underwriter (卓越承銷商) and presented with Special Contribution Award (特別貢獻獎) by China Development Bank for the first time. Nanling Sub-branch in Wuhu municipality, Anhui Province was awarded the title of "Top 100 Demonstration Banks with Outstanding Contributions to Civilized and Standardized Services in 2022 granted by China Banking Association (2022年全國銀行業營業網點文明規範服務百佳示範單位)."

Fourthly, the transformation of our business in key areas was accelerated. The balance of supply chain finance, total loans granted, and the number of accounts all doubled, and the balance of loans and total loans granted both exceeded 10 billion yuan for the first time. The value of bonds issued through our investment banking services ranked 33rd in the market, up 7 places. In terms of wealth management assets, we were in first place in Anhui Province, with the revenue derived from our non-wealth management products and non-deposit products exceeded 100 million yuan for the first time.

Fifthly, the risk prevention and mitigation delivered fruitful results. Under the premise of "turning the hidden bad loans to visible ones", the asset quality indicators have achieved a "double decline" for three consecutive years. The overdue loans at the end of the year have been lower than non-performing loans for the first time, and the asset quality has been greatly improved.

3. *Analysis of key financial performance indicators of the Bank during the year*

Key financial data and key regulatory indicators adopted by the Bank reflect the Bank's operating results, profits and risk control level in 2023. During the Reporting Period, the Bank achieved satisfactory performance in its various financial data as compared with the corresponding period of last year, and all of its supervisory indicators met regulatory requirements. See details in Chapter II "Summary of Accounting Data and Business Data" in this annual report.

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6.2 PARTICULARS OF BUSINESS (CONTINUED)

6.2.1 External environment faced by and business and operation development of the Bank (Continued)

4. *Environmental policy, performance and compliance with laws and regulations*

(1) *Environmental policy and performance of the Bank*

Guiding by “carbon peaking and carbon neutrality”, the Bank faithfully implemented national environmental protection laws and regulations, industrial policies, industry access policies and other policies and regulations, as well as the regulatory requirements of regulators, actively pursued green finance, and supported green, low-carbon and recycling economy development. The Bank constantly improved its environmental and social performance, actively fulfilled its corporate social responsibility, vigorously promoted the development of a social responsibility system, established correct values and business philosophy, built a corporate culture with a sense of social responsibility, continuously enhanced awareness of social responsibility across the Bank, and strengthened the environmental, social and governance information disclosure and communication with stakeholders, conserved resources, protected the environment, implemented environmental goals in the operation, constantly improved the depth, width and accuracy of energy and resource utilization, encouraged green office, energy saving and environmental protection to minimize environmental impact in daily operation; advocated sustainable operation, and promoted the sustainable development of the Bank.

(2) *Compliance with laws and regulations by the Bank*

All routine operating activities of the Bank were conducted on the basis of strict compliance with existing laws and regulations and all transactions complied with laws and regulations with the support of the corresponding legal documents. The Bank continued to improve and optimize the rules and regulations of the whole Bank in accordance with external laws and regulations. The Bank always adhered to the concept of compliance operations, strictly followed regulatory policies in business and operation management activities and implemented regulations and policies in the whole process and all aspects of business.

(3) *Relationship between the Bank and its employees*

a. Remuneration of employees

The Bank has established a unified remuneration management structure and system and continuously optimized management on the remuneration and benefits of employees. Following the principle of prioritizing efficiency while ensuring fairness and highlighting the protection of grassroots and front-line employees with remuneration resources, the Bank has ensured the basic living standards of its employees, and activated the incentive effect of appraisal to maintain the stability of staff teams and enhance external competitiveness and attractiveness of remuneration of the Bank.

b. Staff employment

The Bank has enhanced staff employment management by formulating a standardized set of recruitment criteria and procedure regulating internal recruitment, deployment and other aspects of internal staff management. The Bank has also expanded efforts in recruiting through external channels such as schools, other industry players and headhunters. The Bank has adopted strict procedures in credential checks, written tests, interviews and background checks to ensure that the recruitment process is open, just and fair.

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6.2 PARTICULARS OF BUSINESS (CONTINUED)

6.2.1 External environment faced by and business and operation development of the Bank (Continued)

4. *Environmental policy, performance and compliance with laws and regulations (Continued)*

(3) *Relationship between the Bank and its employees (Continued)*

c. Staff training and career development

For staff learning and development and the education and training for them, the Bank actively builds a professional training system, to create a good atmosphere of learning from, and catching up with others. Currently, the Bank has established online and offline learning and training platforms covering all scenarios including the PC end and the mobile end, providing employees with diversified learning and promotion opportunities with different categories and levels through various channels. In 2023, the Bank constantly optimized online training platforms and enriched mobile learning materials. The enrolled individuals through “Zhiniao (知鳥)” mobile learning platform reached 1,502,400 during the year, and the percentage of active users was 82.65%.

For staff career development, in 2023, the Bank further enhances staff career management by revising relevant regulations and measures and constantly promoting and optimizing non-management employee rating and engagement. Through the establishment and improvement of systems, as well as the regular rating and engagement of employees by category, the Bank provides staff with diversified career paths and development opportunities, to build a rational talent team for its high-quality development.

(4) *Relationship between the Bank and its customers*

See details in section 5.9 “Management Discussion and Analysis – Business Operation” in this annual report.

6.2.2 Subsequent events

For subsequent events of the Bank from 1 January 2024 to the Latest Practicable Date, please refer to Note 53 to the financial statements. Save as disclosed above, from 1 January 2024 to the Latest Practicable Date, there has not been any non-financial event that may cause material effects on the results of the Bank.

6.2.3 Future business development trends of the Bank

See details in section 5.14 “Management Discussion and Analysis – Prospects and Measures” in this annual report.

6.2.4 Major risks and uncertainties faced by the Bank

See details in section 5.10 “Management Discussion and Analysis – Risk Management” in this annual report.

6.3 RESERVES

Please refer to the financial statements for details of the movements in the reserves of the Bank.

6.4 RESERVES AVAILABLE FOR DISTRIBUTION

Please refer to the financial statements for details of the reserves available for distribution as at 31 December 2023.

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6.5 FIXED ASSETS

Please refer to Note 26 to the financial statements for details of movements in the fixed assets of the Bank as of 31 December 2023.

6.6 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

As of the end of the Reporting Period, due to matters such as corporate bankruptcy and reorganization during the disposal of non-performing assets, including those acquired from the former Baoshang Bank, as ruled by the people's court, the Bank held 17,132,600 shares of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) (stock code: 300278), 75,784,300 shares of Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司) (stock code: 600221), 5,339,800 shares of Taihai Manoir Nuclear Equipment Co., Ltd. (台海瑪努爾核電設備股份有限公司) (stock code: 002366), 7,267,400 shares of Poten Environment Group Co., Ltd. (博天環境集團股份有限公司) (stock code: 603603), 2,371,800 shares of Baoding Tianwei Baobian Electric Co., Ltd. (保定天威保變電氣股份有限公司) (stock code: 600550), 2,015,100 shares of Beijing Jingxi Culture & Tourism Co., Ltd. (北京京西文化旅遊股份有限公司) (stock code: 000802), 878,200 shares of Jiangxi Zhengbang Technology Co., Ltd. (江西正邦科技股份有限公司) (stock code: 002157) and 10,364,100 shares of China Security Co., Ltd. (中安科股份有限公司) (stock code: 600654).

Save as disclosed above, the Bank has not held nor traded shares of other listed companies during the Reporting Period.

6.7 PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Bank by the Bank and its subsidiaries during the Reporting Period.

6.8 PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank does not provide for pre-emptive rights. There are no pre-emptive rights for the shareholders of the Bank.

6.9 RETIREMENT BENEFITS

In addition to these basic social pension schemes, employees of the Bank participate in an enterprise annuity plan established by the Bank according to the state enterprise annuity system. The Bank contributes to the annuity plan based on certain percentages of the employees' gross salaries. Provided that employees are dismissed or cancelled the employment contract due to the violation of laws or disciplines, unvested enterprise annuity contributions will be transferred back to the Bank's enterprise annuity account. The amount of forfeited contributions is not material. Please refer to Note 37 to the financial statements for details of the retirement benefits provided to employees by the Bank.

6.10 MAJOR DEPOSITORS/BORROWERS

The Bank is not dependent too much on a single major depositor/borrower. As of 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 Related (connected) persons did not have any significant interest in the aforementioned five largest depositors/borrowers.

Chapter VI Report of the Board of Directors

6.11 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to Chapter VIII “Profile of Directors, Supervisors, Senior Management, Employees and Institutions” in this annual report.

6.12 INTERESTS AND SHORT POSITIONS HELD BY THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As at 31 December 2023, the following directors, supervisors and chief executives of the Bank and their respective associates had the interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance 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 of the Hong Kong Listing Rules (the former Appendix 10 of the Hong Kong Listing Rules). The table below reflects the number of shares, any interests or short positions in underlying shares and debentures held by the directors, supervisors and chief executives of the Bank:

Name	Position	Class of Shares	Status	Number of shares (share) (Long position)	Percentage in issued shares of relevant class (%)	Percentage in all issued ordinary shares (%)
Dai Peikun	Independent Non-executive Director	Domestic Shares	Interest of the Spouse	3,079	0.0000	0.0000
He Jiehua	Chairman of the Board of Supervisors, Employee Supervisor	Domestic Shares	Interest of the Spouse	8,928	0.0001	0.0001
Zhong Qiushi	Employee Supervisor	Domestic Shares	Beneficial Owner	32,133	0.0003	0.0002
Sun Zhen	Employee Supervisor	Domestic Shares	Beneficial Owner	38,085	0.0004	0.0003
Wang Zhaoyuan	Former Non-executive Director	Domestic Shares	Beneficial Owner	11,811	0.0001	0.0001
Tang Chuan	Former Employee Supervisor	Domestic Shares	Beneficial Owner	56,009	0.0005	0.0004

Save as disclosed above, as at 31 December 2023, the Bank was not aware of any other directors, supervisors and chief executives of the Bank and their respective associates having any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations.

6.13 DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, none of the directors, supervisors of the Bank or their respective spouses or children under the age of 18 years acquired any right by the way of purchase of shares or bonds of the Bank or exercised any such related rights; and none of the Bank or any of its subsidiaries had made any arrangements to enable the directors, supervisors of the Bank or their respective spouses or children under the age of 18 years to obtain such rights in any other body corporate.

Chapter VI Report of the Board of Directors

6.14 DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Bank had any interest in any business that constitutes or may constitute, directly or indirectly, a competing business of the Bank.

6.15 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this annual report, there are no other relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material or related relationships.

6.16 DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

During the Reporting Period, no director or supervisor of the Bank (or its related (connected) entities) had any direct or indirect significant interest in any transaction, arrangement or contract of significance entered into by the Bank or other subsidiaries. None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation). During the Reporting Period, none of the Bank or its subsidiaries had any arrangement that enables the directors and supervisors of the Bank to acquire benefits by acquiring shares in and debentures of companies or any other corporate body.

6.17 PENALTIES OR INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, no director or supervisor of the Bank has been subject to penalties or investigations by competent authorities causing a material impact on the operations of the Bank.

6.18 RELATED PARTY (CONNECTED) TRANSACTIONS

In the ordinary course of business, the Bank provides commercial banking services and products to the public in China, including the Bank's directors, supervisors and/or their respective associates. During the Reporting Period, connected transactions carried out between the Bank and connected persons (as defined under the Hong Kong Listing Rules) were conducted under normal commercial principles, which were not favorable than the conditions for similar transactions with non-connected persons. The transaction terms were fair and reasonable and in the interests of the Bank and shareholders as a whole. For a series of connected transactions with connected persons conducted by the Bank, all complied with the aforementioned conditions for connected transactions and were exempted from the requirements of reporting, announcement, annual review, circular and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

The related party transactions of the Bank mainly refer to the ordinary on – and off-balance sheet businesses, including loans, debt securities, promissory notes, letters of credit, and deposits. As of the end of 2023, the Bank has approximately 6,248 related legal entities and approximately 2,792 related natural persons. The related party transactions of the Bank totaled RMB57,691 million, of which the balance of credit granted in related party transactions amounted to RMB28,623 million (net of margin deposits and pledged certificate of deposit of RMB7 million), and services, deposits and other kinds of related party transactions amounted to RMB29,061 million.

As of the end of 2023, the balance of credit granted to the largest related party as a single customer accounted for 4.51% of the net capital of the Bank under the headquarters; the balance of credit granted to the largest single group customer accounted for 2.61% of the net capital of the Bank under the headquarters; the balance of credit granted to all related parties accounted for 14.13% of the net capital of the Bank under the headquarters, which all complied with the regulatory requirements.

Chapter VI Report of the Board of Directors

6.18 RELATED PARTY (CONNECTED) TRANSACTIONS (CONTINUED)

During the Reporting Period, according to the latest regulatory requirements, the Bank amended and issued the management rules and regulations on related party transactions, set up a related party transactions management office and improved the management mechanism for related party transactions; relying on the related party transaction management system, the Bank dynamically collected information on related parties and comprehensively optimized the archives of related parties; the Bank continued to optimize the related party transaction management system, took the initiative to use external public data to develop an automatic verification model for identification of suspected related parties and changes in related parties' information, so as to replace "human control" with "machine control", and improve the informatization and intelligence of related party transactions management; by promoting the Bank's business system to embed the control function of related transactions, the Bank has strengthened the risk prevention function of the first line of defense, and improved the management and control mechanism of related party transaction risk in the whole process; the Bank strictly implemented the review, disclosure and reporting procedures on related party transactions, and strengthened the standardization and accuracy of information disclosure; the Bank also strictly performed special work requirements such as "regulatory rating" and "self-assessment of corporate governance", regularly organized and conducted special audits on related party transactions, so as to enhance the internal supervision mechanism; the Bank organized online and offline differentiated training, and promoted the compliance culture of related transactions. During the Reporting Period, the Bank's independent non-executive directors issued independent opinions on the Bank's related party transactions.

The Note 50 to the financial statements discloses, among others, the related party transactions of the Bank during the Reporting Period in accordance with the International Accounting Standards. These related party transactions do not constitute the connected transactions of the Bank under the requirements of Chapter 14A of the Hong Kong Listing Rules.

6.19 MATERIAL LITIGATION AND ARBITRATIONS

Insofar as the Bank is aware, as of the end of 2023, the Bank, as a plaintiff, was involved in the following litigation proceeding in its regular course of business: the aggregate number of material pending litigation and arbitrations involving the Bank amounted to 17, with a total amount of approximately RMB3,453 million. The number of pending litigation and arbitration, to which the Bank is a defendant, each with an amount of more than RMB0.5 million, amounted to 42, totaling approximately RMB392 million. The Bank made full provisions for doubtful accounts of loans involved in the cases above according to expected losses prudently, which will have no material adverse effect on the Bank's financial position and operating results.

6.20 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

During the Reporting Period, some assets of the Bank had been pledged to other banks and the Ministry of Finance of the PRC as collaterals for a sale and repurchase agreement and treasury deposits.

Apart from the above, the Bank has no other asset acquisition, disposal or reorganization outside the normal scope of business.

6.21 USE OF FUNDS BY RELATED PARTIES (CONNECTED PERSONS)

During the Reporting Period, neither the major shareholders nor the related parties (connected persons) of the Bank used any funds of the Bank for non-operating purposes, and no proceeds of the Bank were used in any unfair related party (connected) transactions.

Chapter VI Report of the Board of Directors

6.22 REVIEW OF ANNUAL RESULTS

The financial report of the Bank prepared under IFRS has been audited by Ernst & Young and a standard audit report with unqualified opinions has been issued. The Bank's Audit Committee of the Board has reviewed the results and the financial reports of the Bank for the year ended 31 December 2023.

Any discrepancies between the total amount and percentages and the sum of items shown in the tables in this report are due to rounding. In case of any discrepancies between the Chinese and English versions of this report, the Chinese version shall prevail.

6.23 PROFIT AND DIVIDENDS

The Board is required to submit the proposals in respect of dividend payments to a shareholders' general meeting for approval. The Board will, according to the relevant laws, regulations and regulatory requirements, consider whether to pay dividends and the amount of dividend payments based on the Bank's results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors of the Bank deems relevant. The Bank may pay dividends in cash or shares. The Bank's dividend distribution conformed to the Articles of Association and the resolutions of the general meeting of the Bank.

The profit of the Bank for the year ended 31 December 2023 and the Bank's financial position as at that date are set out in the consolidated financial statements section of this annual report.

In accordance with the resolutions passed at the 2022 annual general meeting held on 30 June 2023, the Bank declared a cash dividend of RMB0.129 (tax inclusive) per share to all shareholders based on the 2022 profit distribution plan, in an aggregate amount of approximately RMB1,792 million (tax inclusive), accounting for approximately 15% of the audited net profit of the Bank under the headquarters in 2022. On 25 August 2023, the final dividend for 2022 was paid to shareholders whose names were listed on the register of the Bank as of 11 July 2023. All cash dividends paid, which were denominated in RMB, were distributed to shareholders in RMB or Hong Kong Dollars, respectively. The exchange rate used for the calculation of dividends paid in Hong Kong Dollars was based on the average central parity rate of RMB against Hong Kong Dollars announced by the PBOC for the five working days before the 2022 annual general meeting of the Bank (i.e. 21, 26, 27, 28 and 29 June 2023).

As to the 2023 profit distribution plan, the Board of Directors recommends a cash dividend of RMB0.146 (tax inclusive) per share to all shareholders, in an aggregate amount of approximately RMB2,028 million (tax inclusive), accounting for approximately 15% of the audited net profit of the Bank under the headquarters in 2023. The above profit distribution plan shall be submitted at the 2023 annual general meeting for approval by the Board of Directors. If the above profit distribution plan is approved at the 2023 annual general meeting, the Bank expects to complete such profit distribution within two months after the meeting. Save as disclosed in the Section 6.24 "Annual General Meeting and Closure of Register of Members" in this annual report, the Bank shall announce other relevant arrangements on the 2023 annual general meeting in due course. The Bank shall also make an announcement in due course if there are any changes to the said expected dividend declaration.

Chapter VI Report of the Board of Directors

6.24 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to attend and vote at the 2023 annual general meeting to be convened on 28 June 2024, the register of members of the Bank will be closed from 29 May 2024 to 28 June 2024 (both days inclusive). In order to be entitled to attend and vote at the 2023 annual general meeting, unregistered H shareholders of the Bank shall lodge relevant share transfer documents for registration with the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 28 May 2024.

6.25 PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Board of Directors, from April 2016 to the Latest Practicable Date, the Bank's H Share public float was below 25%, the minimum level as required in Rule 8.08(1)(a) of the Hong Kong Listing Rules. As at the Latest Practicable Date, the Bank's H Share public float was maintained at 16.08%.

According to the Board resolutions, the Bank will proactively promote the initial public offering and listing of A Shares so as to restore its public float as soon as practicable. For details on the public float of the Bank's H Shares, please refer to the several announcements and circulars published by the Bank since 11 May 2016 in relation to, among others, the public float of the Bank's H Shares.

6.26 TAX DEDUCTION

6.26.1 Overseas shareholders

According to the "Notice on the Collection of Personal Income Tax after the Expiration of National Tax Bureau Notice [1993] No. 045" (Guo Shui Han [2011] No. 348), which was released by the State Administration of Taxation on 28 June 2011, the responsible party should withhold personal income tax by law from overseas resident individual shareholders on their dividend income deriving from shares in domestic non-foreign invested companies issued in Hong Kong. However, the overseas resident individual shareholders who hold shares of domestic non-foreign invested companies issued in Hong Kong may be entitled to the relevant favorable tax treatments based on the tax treaties between the countries in which they are domiciled and China and the tax arrangements between Mainland China and Hong Kong (or Macau).

Based on the tax regulation mentioned above, the Bank will withhold personal income tax of the dividend at a 10% tax rate for the overseas individual H Shareholders. However, where there are different requirements otherwise specified in relevant tax regulations and tax agreements, the Bank will follow such requirements of the tax authorities.

The Bank will withhold a 10% enterprise income tax of the dividend for non-resident corporate overseas H Shareholders based on the "Law of the People's Republic of China on Enterprise Income Tax" and relevant implementation rules which have been effective since 1 January 2008.

If the overseas H Shareholders of the Bank have any queries regarding the tax arrangements mentioned above, please consult your tax consultants regarding the tax implications in Mainland China, Hong Kong and other countries (regions) for holding and disposing of the Bank's H Shares.

Chapter VI Report of the Board of Directors

6.26 TAX DEDUCTION (CONTINUED)

6.26.2 Mainland shareholders of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

Pursuant to the “Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect” (Cai Shui [2014] No. 81) and the “Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect” (Cai Shui [2016] No. 127), which were jointly released by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and 5 November 2016, respectively, for dividends obtained by the mainland individual investors from H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such H Share companies shall apply to China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the “CSDC”) for providing the register of mainland individual investors and withhold personal income tax at a 20% tax rate from mainland individual investors. For dividends obtained by the mainland individual investors from non-H Shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the CSDC will withhold personal income tax at 20% tax rate. Individual investors may, by producing valid tax payment certificates, apply to the competent tax authority under the CSDC for tax credits relating to the withholding tax already paid abroad.

For dividend income obtained by the mainland security investment funds from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, personal income tax shall be withheld according to the above regulations.

For dividend income obtained by the mainland corporate investors from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such income shall be included in their total revenue and enterprise income tax shall be withheld by law. Meanwhile, for dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months, enterprise income tax shall be exempted by law. H Share companies listed on the Hong Kong Stock Exchange shall apply to the CSDC for providing the register of mainland enterprise investors. The H-share companies shall not withhold income tax of dividends for mainland enterprise investors and such investors shall declare and pay relevant tax themselves.

The tax deduction mentioned above is a general tax requirement stipulated by the relevant laws and regulations. If the relevant profit distribution plan is considered and approved at the general meeting of the Bank, the Bank will make adjustments according to the actual condition and make further announcements on the specific tax requirements implemented pursuant to the prevailing valid tax regulations at that time.

6.27 PERMITTED INDEMNITY PROVISIONS

The Bank has maintained appropriate liability insurance for directors, supervisors and senior management to indemnify the directors, supervisors and senior management for their liabilities arising from corporate affairs.

6.28 DONATION

The Bank has continuously fulfilled its social responsibilities, earnestly committed itself to public welfare undertakings, actively helped the disadvantaged groups, and launched relief donations to disaster-affected areas, designated assistance areas or the socially disadvantaged groups in difficulty; launched public welfare donations for science, education, culture, health and sports undertakings, environmental protection, energy saving and emission reduction, the construction of social public facilities and other social public welfare undertakings; and launched donations to other social public and welfare undertakings that contribute to social development and progress. In 2023, the Bank made a total donation of approximately RMB3,661,800, providing great support to science, education, culture and health and the construction of public infrastructure as well as other public welfare undertakings.

Chapter VI Report of the Board of Directors

6.29 MANAGEMENT CONTRACTS

Except for the service contracts of the management of the Bank, the Bank did not enter into any other contracts with any individual, company or body corporate to manage or deal with the whole part or any significant part of the Bank's business.

6.30 STOCK-LINKED AGREEMENTS

The Bank did not enter into any stock-linked agreement in 2023, and there was no stock-linked agreement remaining effective by the end of 2023.

6.31 ISSUE OF DEBENTURES

To supplement the capital of the Bank and expand the sources of liabilities of the Bank to enhance the maturity matching of assets and liabilities, the Bank issued various types of debentures, the details of which during the Reporting Period are presented as follows:

6.31.1 The Bank issued RMB1.0 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.80%, payable annually.

6.31.2 The Bank issued RMB10.0 billion of perpetual bonds on 3 December 2019 in China's inter-bank bond market, with a coupon rate of 4.90%, payable annually. The coupon rate of the bonds may be adjusted at different intervals, subject to adjustment in every five years. In any adjusted coupon rate period, the interests of the bonds will be paid at the same prescribed interest rate. The Bank may redeem the bonds in whole or in part on each distribution payment date after 5 years (including the distribution payment date of the fifth year) after the issuance date of the bonds.

6.31.3 The Bank issued RMB2.0 billion of financial bonds on 16 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.90%, payable annually. The bonds were due for payment on 16 April 2023.

6.31.4 The Bank issued RMB10.0 billion of financial bonds on 27 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.30%, payable annually. The bonds were due for payment on 27 April 2023.

6.31.5 The Bank issued RMB8.0 billion of tier 2 capital bonds on 28 September 2020 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.50%, payable annually. The Bank has an option to redeem part or all of these bonds at nominal value on the last day of the fifth year of interest accrued of bonds, subject to the approval from relevant regulatory authorities.

Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary creditors and is superior to equity capital, other tier 1 capital instruments and mixed capital debts.

6.31.6 The Bank issued RMB6.0 billion of tier 2 capital bonds on 26 October 2021 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.09%, payable annually. The Bank has an option to redeem part or all of these bonds at nominal value on the last day of the fifth year of interest accrued of bonds, subject to the approval from relevant regulatory authorities.

Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary creditors and is superior to equity capital, other tier 1 capital instruments and mixed capital debts.

Chapter VI Report of the Board of Directors

6.31 ISSUE OF DEBENTURES (CONTINUED)

- 6.31.7** The Bank issued RMB10.0 billion of financial bonds on 1 March 2022 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.83%, payable annually.
- 6.31.8** The Bank issued RMB5.0 billion of green bonds on 9 August 2022 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.53%, payable annually.
- 6.31.9** The Bank issued RMB20.0 billion of financial bonds on 12 July 2023 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.69%, payable annually.
- 6.31.10** The Bank issued RMB10.0 billion of perpetual bonds on 30 October 2023 in China's inter-bank bond market, with a coupon rate of 3.80%, payable annually. The coupon rate of the bonds may be adjusted at different intervals, subject to adjustment every five years. In any adjusted coupon rate period, the interest of the bonds will be paid at the same prescribed interest rate. The Bank may redeem the bonds in whole or in part on each distribution payment date after 5 years (including the distribution payment date of the fifth year) after the issuance date of the bonds.
- 6.31.11** The Bank issued RMB10.0 billion of financial bonds on 22 November 2023 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.78%, payable annually.
- 6.31.12** In 2023, the Bank issued 214 zero-coupon interbank certificates of deposit with a total face value of RMB203,390 million, with maturities ranging from one month to one year. As of 31 December 2023, the aggregate face value of undue interbank certificates of deposit issued by the Bank amounted to RMB121,010 million.

By order of the Board

Yan Chen

Executive Director, Chairman

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.1 CHANGES IN ORDINARY SHARES OF THE BANK DURING THE REPORTING PERIOD

	31 December 2023		Changes during the Reporting Period	31 December 2022	
	Number of shares (share)	Percentage (%)	Number of shares (share)	Number of shares (share)	Percentage (%)
Domestic Shares	10,411,051,211	74.95	0	10,411,051,211	74.95
H Shares	3,478,750,000	25.05	0	3,478,750,000	25.05
Total number of ordinary shares	13,889,801,211	100.00	0	13,889,801,211	100.00

Note: As of 31 December 2023, the Bank had a total of 17,210 shareholders of ordinary shares, including 1,356 shareholders of H Shares and 15,854 shareholders of Domestic Shares; the Bank had no controlling shareholders or de facto controller. According to the trustee agency, a total of 55,077,095 pledged shares were under judicial freeze or other situations.

7.2 INFORMATION ON THE SHAREHOLDINGS OF THE TOP TEN HOLDERS OF ORDINARY SHARES

As of 31 December 2023, the order of the top ten holders of ordinary shares of the Bank was sorted by: (1) for H Shares, the aggregate of the H Shares of the Bank held by investors which were deposited into the Central Clearing and Settlement System of the Hong Kong Stock Exchange and registered under the name of HKSCC NOMINEES LIMITED, a wholly-owned subsidiary of the Hong Kong Stock Exchange, representing 25.02% of the total share capital of ordinary shares and representing 99.90% of the total H Shares issued; and (2) for Domestic Shares, the order was based on the number of shares held directly under the domestic shareholders register kept by CSDC.

No.	Name of shareholder	Number of shares held as at the end of the Reporting Period (share)	Percentage to total share capital of ordinary shares (%)	Type of shares	Increase/ decrease during the Reporting Period (share)	Pledged or frozen (share)
1	HKSCC Nominees Limited	3,475,335,478	25.02	H Share	161,620	— ⁽¹⁾
2	Deposit Insurance Fund Management Co., Ltd.	1,559,000,000	11.22	Domestic Share	0	0
3	Anhui Province Energy Group Company Limited	843,363,819	6.07	Domestic Share	0	0
4	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	Domestic Share	0	0
5	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	Domestic Share	0	0
6	Anhui Transportation Holding Group Co., Ltd.	705,349,937	5.08	Domestic Share	0	0
7	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	Domestic Share	0	0
8	Hefei Xingtai Financial Holdings (Group) Co., Ltd.	378,395,999	2.72	Domestic Share	0	0
9	CCB Trust Co., Ltd.	313,672,053	2.26	Domestic Share	65,569,059	0
10	Wuhu Construction Investment Co., Ltd.	294,012,833	2.12	Domestic Share	0	0

Note: (1) The relevant information has not yet been obtained by the Bank, nor can it be verified based on the existing information.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

According to the relevant requirements of the Interim Measures for the Equity Management of Commercial Banks of former CBIRC, based on the register of members maintained by trustee agency of ordinary shares of the Bank and the information publicly disclosed and submitted by substantial shareholders to the Bank, etc., the substantial shareholders of ordinary shares of the Bank as at the end of the Reporting Period are as follows:

No.	Name of substantial shareholder	Number of shares	Individual shareholding ratio (%)	Joint shareholding ratio (%)	Increase/decrease of shareholding during the Reporting Period (share)
1	Deposit Insurance Fund Management Co., Ltd.	1,559,000,000	11.22	11.22	0
2	Zhongjing Xinhua Asset Investment Management Co., Ltd.	224,781,227	1.62	10.59	0
	Wealth Honest Limited	631,871,000	4.55		0
	Golden Harbour Investments Management Limited	440,000,000	3.17		0
	Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	173,993,400	1.25		0
3	Anhui Province Energy Group Company Limited	843,363,819	6.07	9.70	0
	An Hui Wenergy Company Limited	150,814,726	1.09		0
	Xing An Holdings Limited	329,973,600	2.38		0
	Anhui Natural Gas Development Co., Ltd.	23,579,472	0.17		0
4	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	7.46	0
	Anhui Guaranteed Asset Management Co., Ltd.	208,200,021	1.50		25,675,695
5	Wkland Finance Holding Company Limited	562,254,000	4.05	7.00	0
	Wkland Finance Holding II Company Limited	410,130,600	2.95		0
6	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	6.29	0
	Anhui Guoyuan Trust Co., Ltd.	35,751,470	0.26		0
	Anhui Guoyuan Ma'anshan Asset Management Co., Ltd.	361,662	0.00		0
7	Anhui Transportation Holding Group Co., Ltd.	705,349,937	5.08	5.10	0
	Anhui Transportation Holding Group (H.K.) Limited	3,299,700	0.02		0
8	Hefei Xingtai Financial Holdings (Group) Co., Ltd.	378,395,999	2.72	4.98	0
	CCB Trust Co., Ltd.	313,672,053	2.26		65,569,059
9	Sunshine Life Insurance Corporation Limited	598,094,200	4.31	4.31	0
10	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	3.64	0
11	Wuhu Construction Investment Co., Ltd.	294,012,833	2.12	2.12	0

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (1) Deposit Insurance Fund Management Co., Ltd. was established on 24 May 2019. It was registered in Beijing with a registered capital of RMB10 billion. Its legal representative is Wang Yuling. Its scope of business includes conducting investment in equity, debts, funds, etc.; managing relevant assets of the deposit insurance fund according to law; acquiring, operating, managing and disposing of assets directly or by entrustment; handling deposit insurance related businesses according to law; asset evaluation; as well as other businesses as approved by the relevant state departments. According to the information submitted by shareholders, its controlling shareholder is the People's Bank of China. It has no de facto controller. Its ultimate beneficiary is Deposit Insurance Fund Management Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Deposit Insurance Fund Management Co., Ltd. did not pledge any shares of the Bank. Deposit Insurance Fund Management Co., Ltd. has appointed Ma Lingxiao to the Bank as a director.
- (2) Zhongjing Xinhua Asset Investment Management Co., Ltd. was established on 14 June 2003. It was registered in Huangshan of Anhui Province with a registered capital of RMB2.875 billion. Its legal representative is Zhu Hua. Its scope of business includes enterprise investment management; enterprise management, enterprise mergers and acquisitions as well as asset restructuring planning; project investment consultation, economic information consultation, business information consultation, market information consultation and research, asset operation, industrial investment, investment consultation, technology consultation, and technical service. According to the information submitted by shareholders, its controlling shareholder is Jing'An Shanghai Silver Investment Co., Ltd., its de facto controller is Shanghai Soong Ching Ling Foundation. Its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Xinhua Asset Investment Management Co., Ltd. did not pledge any shares of the Bank and 224,781,227 Domestic Shares were judicially frozen.

Wealth Honest Limited was incorporated in British Virgin Islands on 30 March 2006. Its legal representative is GAO YANG. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Zhongjing Xinhua Property Management (Hong Kong) Co., Limited, its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Wealth Honest Limited did not pledge any shares of the Bank.

Golden Harbour Investments Management Limited was incorporated in British Virgin Islands on 28 October 2016. Its general manager is Zhang Qinbao. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Wealth Honest Fund LP, its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Golden Harbour Investments Management Limited did not pledge any shares of the Bank.

Zhongjing Xinhua Property Management (Hong Kong) Co., Limited was incorporated in Hong Kong on 28 January 2014. Its legal representative is GAO YANG. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Zhongjing Xinhua Asset Investment Management Co., Ltd., its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Xinhua Property Management (Hong Kong) Co., Limited did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (3) Anhui Province Energy Group Company Limited was established on 9 April 1990. It was registered in Hefei of Anhui Province with a registered capital of RMB10 billion. Its legal representative is Chen Xiang. Its scope of business includes state – owned assets operation, project investment and management, economic and technological cooperation, exchanges and services with foreign countries, business information and investment information consultation services, and investment evaluation of construction projects. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People’s Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People’s Government, its ultimate beneficiary is Anhui Province Energy Group Company Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Province Energy Group Company Limited did not pledge any shares of the Bank. Anhui Province Energy Group Company Limited has appointed Shao Dehui to the Bank as a director.

An Hui Wenergy Company Limited was established on 13 December 1993. It was registered in Hefei of Anhui Province with a registered capital of RMB2,266,863,331. Its legal representative is Li Ming. Its scope of business includes licensed items: power generation, transmission and supply (distribution) business; construction projects; hydropower generation; general items: heat production and supply; energy management contract; energy-saving management service; research and development of high-efficiency energy-saving technologies in the power industry; intelligent power transmission and distribution and sales of control equipment; technical services for solar power generation; technical services for wind power generation; research and development of wind farm related systems; research and development of emerging energy technologies; technology development of carbon emission reduction, carbon conversion, carbon capture, utilization and storage; research and development of new material technology; application system integration service for the artificial intelligence industry; energy storage technology service; industrial Internet data services; sales of coal and its products; technical service, technology development, technology consultation, technology exchange, technology transfer, technology promotion; investment activities with internal funds. According to the information submitted by shareholders, its controlling shareholder is Anhui Province Energy Group Company Limited, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People’s Government, its ultimate beneficiary is An Hui Wenergy Company Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, An Hui Wenergy Company Limited did not pledge any shares of the Bank.

Xing An Holdings Limited was incorporated in Hong Kong in June 2004. Its legal representative is Li Ming. Its scope of business includes electricity investment. According to the information submitted by shareholders, its controlling shareholder is Anhui Province Energy Group Company Limited, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People’s Government, its ultimate beneficiary is Anhui Province Energy Group Company Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, Xing An Holdings Limited did not pledge any shares of the Bank.

Anhui Natural Gas Development Co., Ltd. was established on 14 February 2003. It was registered in Hefei of Anhui Province with a registered capital of RMB478,219,266. Its legal representative is Wu Hai. Its scope of business includes construction, operation and management of the natural gas trunk and branch pipeline network in the province; participation in the development, construction, operation and management of urban natural gas pipeline network; purchase of natural gas resources upstream on behalf of Anhui Province, and sale of natural gas to urban pipeline network and major users; development of natural gas and coal seam gas and other energy applications and related projects, including liquefied natural gas (LNG), compressed natural gas (CNG), natural gas vehicle refueling stations; engagement in other businesses related to or supporting the above. According to the information submitted by shareholders, its controlling shareholder is Anhui Province Energy Group Company Limited, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People’s Government, its ultimate beneficiary is Anhui Natural Gas Development Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Natural Gas Development Co., Ltd. did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (4) Anhui Credit Financing Guaranty Group Co., Ltd. was established on 25 November 2005. It was registered in Hefei of Anhui Province with a registered capital of RMB18.686 billion. Its legal representative is Wang Zhaoyuan. Its scope of business includes performance guarantee business such as loan guarantee, promissory notes guarantee, trade finance guarantee, project financing guarantee, letter of credit guarantee; re-guarantee and bond issuance guarantee business; procedural preservative guarantee, tender guarantee, prepayment guarantee, project performance guarantee, final payment guarantee, etc.; financing consultancy, financial advisory services and business information consultation relating to the provision of guarantee; investment with self-own capital. According to the information submitted by shareholders, its controlling shareholder is the People's Government of Anhui Province, its de facto controller is the People's Government of Anhui Province, its ultimate beneficiary is Anhui Credit Financing Guaranty Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Credit Financing Guaranty Group Co., Ltd. did not pledge any shares of the Bank. Anhui Credit Financing Guaranty Group Co., Ltd. has appointed Wang Zhaohui to the Bank as a director.

Anhui Guaranteed Asset Management Co., Ltd. was established on 9 July 2015. It was registered in Hefei of Anhui Province with a registered capital of RMB1.5 billion. Its legal representative is Xu Wenqing. Its scope of business includes entrusted disposal of guaranteed non-performing assets, acquisition of guaranteed non-performing assets, idle capital operation, house leasing, and guarantee business consulting. According to the information submitted by shareholders, its controlling shareholder is Anhui Credit Financing Guaranty Group Co., Ltd., its de facto controller is the People's Government of Anhui Province, its ultimate beneficiary is Anhui Guaranteed Asset Management Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guaranteed Asset Management Co., Ltd. did not pledge any shares of the Bank.

- (5) Wkland Finance Holding Company Limited was incorporated in British Virgin Islands on 28 October 2013. It has two directors, namely Zhang Xu and Mo Fan. According to the information submitted by shareholders, its controlling shareholder is Wkland Limited, its de facto controller is China Vanke Co., Ltd., its ultimate beneficiary is China Vanke Co., Ltd. and it acts in concert with Wkland Finance Holding II Company Limited. As at the end of the Reporting Period, Wkland Finance Holding Company Limited did not pledge any shares of the Bank.

Wkland Finance Holding II Company Limited was incorporated in British Virgin Islands on 28 October 2013. It has two directors, namely Zhang Xu and Mo Fan. According to the information submitted by shareholders, its controlling shareholder is Wkland Limited, its de facto controller is China Vanke Co., Ltd., its ultimate beneficiary is China Vanke Co., Ltd. and it acts in concert with Wkland Finance Holding Company Limited. As at the end of the Reporting Period, Wkland Finance Holding II Company Limited did not pledge any shares of the Bank. Wkland Finance Holding II Company Limited has appointed Wang Wenjin to the Bank as a director.

- (6) Anhui Guoyuan Financial Holding Group Co., Ltd. was established on 30 December 2000. It was registered in Hefei of Anhui Province with a registered capital of RMB6 billion. Its legal representative is Huang Linmu. Its scope of business includes the operation of all state-owned assets and state-owned shares of state-authorized group companies and their holding companies, capital operations, asset management, mergers and acquisitions, asset restructuring and investment consultation. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Financial Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Wu Tian to the Bank as a director.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

(6) (Continued)

Anhui Guoyuan Trust Co., Ltd. was established on 14 January 2004. It was registered in Hefei of Anhui Province with a registered capital of RMB4.2 billion. Its legal representative is Xu Zhi. Its scope of business includes fund trusts, movable property trusts, real estate trusts, negotiable securities trusts, other property or property rights trusts, as promoters of investment fund or fund management company to be engaged in investment fund business, restructuring, mergers and acquisitions and project financing of enterprise assets; financial management, financial advisory and other services for companies; entrusted to operate the securities underwriting business approved by the relevant departments of the State Council; handling intermediation, consulting, credit investigation and other business, custody service and safe deposit box service business, utilization of inherent property by way of deposits at banks and other financial institutions, call loans to banks and other financial institutions, loans, leasing and investments, providing guarantees for others with inherent property, engaged in interbank lending, and other business required by the laws and regulations or approved by the CBRC. According to the information submitted by shareholders, its controlling shareholder is Anhui Guoyuan Financial Holding Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Trust Co., Ltd. did not pledge any shares of the Bank.

Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. was established on 31 March 2004. It was registered in Ma'anshan of Anhui Province with a registered capital of RMB65 million. Its legal representative is Liu Xiaowei. Its scope of business includes general items: investment activities with self-owned funds; asset management services for investment of self-owned funds; supply chain management service; non-financial guarantee services; business management consulting; information technology consulting services; financial consulting; social and economic consulting services; hospital management; marketing planning; medical research and experimental development; leasing service (excluding licensed leasing service); non-residential real estate leasing; sales of agricultural products; wholesale of edible agricultural products; purchase of aquatic products; wholesale of aquatic products; retail of aquatic products; retail of fresh vegetables; wholesale of fresh fruits; sales of metal materials; sales of metal products; sales of machinery for construction; production of chemical products (excluding licensed chemical products); sales of oil produces (excluding hazardous chemicals); sales of nonferrous metal alloys; sales of metal ore; sales of non-metallic minerals and products; sales of feed raw material; wholesale of auto components; sales of pulps; sales of renewable resources; sales of timber; sales of special equipment for environmental protection; sales of construction materials; sales of machinery for construction; wholesale of hardware products; retail of hardware products; sales of household appliances; sales of daily-use department stores. According to the information submitted by shareholders, its controlling shareholder is Anhui GuoYuan Investment Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. did not pledge any shares of the Bank.

(7) Anhui Transportation Holding Group Co., Ltd. was established on 27 April 1993. It was registered in Hefei of Anhui Province with a registered capital of RMB16 billion. Its legal representative is Xiang Xiaolong. Its scope of business includes the general items: enterprise management; investment activities with its own funds, asset management services invested with its own funds; construction management services; maintenance of transportation facilities; automobile trailers, rescue, obstacle clearance service; housing leasing; non-residential real estate leasing; and the licensed item: highway management and maintenance. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Transportation Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Transportation Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Zuo Dunli as a director of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

(7) (Continued)

Anhui Transportation Holding Group (H.K.) Limited was incorporated in Hong Kong in September 2013 with a registered capital of US\$24.80 million. Its legal representative is Tao Wensheng. Its scope of business includes investment, planning, design, construction, supervision, operation, technical consultation and supporting services for high-class highway; investment, development and operation as well as sales of real estate, property management, house rental; import and export of construction materials, automobile spare parts, mechanical equipment and technology, trade agency, warehousing; equity investment, etc. According to the information submitted by shareholders, its controlling shareholder is Anhui Transportation Holding Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Transportation Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Transportation Holding Group (H.K.) Limited did not pledge any shares of the Bank.

(8) Hefei Xingtai Financial Holdings (Group) Co., Ltd. was established on 18 January 1999. It was registered in Hefei of Anhui Province with a registered capital of RMB7 billion. Its legal representative is Zheng Xiaojing. Its scope of business includes operation of state-owned assets within the authorization, corporate planning, management consultation, financial advisory, corporate wealth management, industrial investment as well as other approved operating activities. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Hefei City, its de facto controller is the State-owned Assets Supervision and Administration Commission of Hefei City, its ultimate beneficiary is Hefei Xingtai Financial Holdings (Group) Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Hefei Xingtai Financial Holdings (Group) Co., Ltd. did not pledge any shares of the Bank and has appointed Chen Rui to the Bank as a supervisor. Mr. Chen Rui resigned as a shareholder supervisor of the Bank on 29 February 2024. For details, please refer to Section 8.2 "Changes in Directors, Supervisors and Senior Management of the Bank" in this report.

CCB Trust Co., Ltd. was established on 31 December 2003. It was registered in Hefei of Anhui Province with a registered capital of RMB10,500 million. Its legal representative is Wang Baokui. Its scope of business includes fund trusts, movable property trusts, real estate trusts, negotiable securities trusts, other property or property rights trusts, as promoters of investment fund or fund management company to be engaged in investment fund business, restructuring, mergers and acquisitions and project financing of enterprise assets; financial management, financial advisory and other services for companies; entrusted to operate the securities underwriting business approved by the relevant departments of the State Council; handling intermediation, consulting, credit investigation and other business, custody service and safe deposit box service business, utilization of inherent property by way of deposits at banks and other financial institutions, call loans to banks and other financial institutions, loans, leasing and investments, providing guarantees for others with inherent property, engaged in interbank lending, and other business required by the laws and regulations or approved by the CBRC. According to the information submitted by shareholders, its controlling shareholder is China Construction Bank Corporation, its de facto controller is Central Huijin Investment Ltd., its ultimate beneficiary is CCB Trust Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, CCB Trust Co., Ltd. did not pledge any shares of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (9) Sunshine Life Insurance Corporation Limited was established on 17 December 2007. It was registered in Sanya of Hainan Province with a registered capital of RMB21,045.20 million. Its legal representative is Li Ke. Its scope of business includes personal insurance business such as life insurance, health insurance, and accident insurance; re-insurance business of the aforesaid businesses; the scope of use of insurance funds permitted by the national laws and regulations; sales of securities investment funds; other business approved by CBIRC. According to the information submitted by shareholders, its controlling shareholder is Sunshine Insurance Group Corporation Limited, it does not have any de facto controller, its ultimate beneficiary is Sunshine Life Insurance Corporation Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, Sunshine Life Insurance Corporation Limited did not pledge any shares of the Bank and has appointed Zhao Zongren to the Bank as a director.
- (10) Zhongjing Sihai Co., Ltd. was established on 28 June 1995. It was registered in Huangshan of Anhui Province with a registered capital of RMB1,261.9757 million. Its legal representative is Zheng Ju. Its scope of business includes industrial investment, asset management, investment operation management, and investment consultation service; sales of office supplies, hotel supplies, metal materials, and automobile and motorcycle accessories. According to the information submitted by shareholders, as at the end of the Reporting Period, its controlling shareholder is Shanshan Group Co., Ltd., its former de facto controller, Mr. Zheng Yonggang, passed away due to illness, and the relevant equities held by Mr. Zheng Yonggang are intended to enter the inheritance process in accordance with relevant laws and regulations, and the de facto controller and ultimate beneficiary will be re-identified according to the inheritance of his equities, and the other ultimate beneficiary is a natural person, Zhou Jiqing, and it does not have any persons acting in concert. On 12 February 2023, Shanshan Group Co., Ltd. disclosed the announcement in relation to the de facto controller. For details, please see the relevant announcement published by Shanshan Group Co., Ltd. on the SSE. As at the end of the Reporting Period, Zhongjing Sihai Co., Ltd. did not pledge any shares of the Bank. Zhongjing Sihai Co., Ltd. has appointed GAO YANG to the Bank as a director.
- (11) Wuhu Construction Investment Co., Ltd. was established on 16 February 1998. It was registered in Wuhu of Anhui Province with a registered capital of RMB12,124.00 million. Its legal representative is Wang Jinhua. Its scope of business includes real estate development and operation; general projects of various engineering construction activities (for the matters requiring approvals in accordance with the law, operations are subject to the approval by the relevant authorities); investment activities with its own funds; asset management services invested with its own funds; management services for public utilities; management of municipal facilities; enterprise headquarters management; construction management services; non-residential real estate leasing; housing leasing; land use right leasing; car-parking services; property management; hotel management; commercial complex management services. According to the information submitted by shareholders, as at the end of the Reporting Period, its de facto controller is the State-owned Assets Supervision and Administration Commission of the People's Government of Wuhu Municipal, its de facto controller is the State-owned Assets Supervision and Administration Commission of the People's Government of Wuhu Municipal, its ultimate beneficiary is Wuhu Construction Investment Co., Ltd., and it does not have any persons acting in concert. As at the end of the Reporting Period, Wuhu Construction Investment Co., Ltd. did not pledge any equity interests of the Bank. Wuhu Construction Investment Co., Ltd. has appointed Wang Anning to the Bank as a supervisor.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- Notes: 1 Particulars of substantial shareholders of ordinary shares are based on the information submitted to the Bank or the public disclosure information published by substantial shareholders.
- 2 The pledge of Domestic Shares of the Bank is based on the relevant information provided by CSDC and the pledge of H Shares is based on the information submitted by the shareholders.
- 3 For the detailed definitions of substantial shareholders, controlling shareholders, de facto controllers, parties acting in concert and ultimate beneficiaries, please see the relevant requirement 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 former CBIRC.
- 4 Pursuant to the Enterprise Accounting Standard No. 36 – Disclosure of Related Party, related parties refer to the enterprises controlled or jointly controlled by one party or exerting significant influence on the other party, or controlled, jointly controlled or significantly influenced by two or more parties under the same control of the same party, but the enterprises controlled by the state not only have related relationship because they are jointly controlled by the state; the Interim Measures for the Shareholding Management of Commercial Banks requires commercial banks to manage major shareholders, its controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficiaries as related parties of commercial banks in accordance with the principle of penetration.

As at the end of the Reporting Period, according to the relevant information publicly disclosed and submitted to the Bank by substantial shareholders, the related legal entities and related natural persons of substantial shareholders of the Bank amounts to approximately 6,430 in aggregate. As at the end of the Reporting Period, details of the related parties of substantial shareholders and the related transactions under relevant accounting standards are set out in Note 50 to the financial statements. Due to limitations on space, this annual report does not provide the list of related parties of all substantial shareholders.

- 5 Anhui Guarantee Asset Management Co., Ltd. successively acquired 11,000,000 Domestic Shares and 14,675,695 Domestic Shares of the Bank through judicial bidding, and completed the share registration in China Securities Depository and Clearing Corporation Limited on 9 March 2023 and 26 June 2023 respectively, and its holdings Domestic Shares of the Bank increased to 208,200,021 shares, and its individual shareholding ratio increased to 1.50%.
- 6 Mr. Wang Anning was elected as a shareholder supervisor of the Bank on 30 June 2023. For details, please refer to Section 8.2 “Changes in Directors, Supervisors and Senior Management of the Bank” in this report. Since the date of Mr. Wang Anning appointment as a supervisor, Wuhu Construction Investment Co., Ltd. has become a major shareholder of the Bank.
- 7 CCB Trust Co., Ltd. acquired 65,569,059 Domestic Shares of the Bank through judicial bidding, and completed the share registration in China Securities Depository and Clearing Corporation Limited on 11 August 2023, and its holding 313,672,053 Domestic Shares of the Bank, increasing its shareholding ratio to 2.26%.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of 31 December 2023, the following persons (other than the directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO. In view of the Bank's profit distribution plan for 2017, where bonus shares were issued to shareholders on the basis of 1 share for every 10 shares, implemented in 2018, the number of shares held by shareholders in the table below reflects the number of shares held by shareholders after the issue of bonus shares.

Name of shareholder	Type of share	Long/short		Number of shares (share)	Percentage of the	Percentage of all	Note
		position	Capacity		underlying shares	issued ordinary	
					in issue (%)	shares (%)	
Deposit Insurance Fund Management Co., Ltd.	Domestic Share	Long	Beneficial owner	1,559,000,000	14.97	11.22	1
Anhui Province Energy Group Company Limited	H Share	Long	Interest of controlled corporation	329,973,600	9.49	2.38	2
	Domestic Share	Long	Interest of controlled corporation	174,394,198	1.68	1.26	2
	Domestic Share	Long	Beneficial owner	843,363,819	8.10	6.07	2
Xing An Holdings Limited	H Share	Long	Beneficial owner	329,973,600	9.49	2.38	2
Anhui Credit Financing Guaranty Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	208,200,021	2.00	1.50	3
	Domestic Share	Long	Beneficial owner	827,658,091	7.95	5.96	3
Anhui Guoyuan Financial Holding Group Co., Ltd.	Domestic Share	Long	Beneficial owner	837,810,695	8.05	6.03	4
	Domestic Share	Long	Interest of controlled corporation	36,113,132	0.35	0.26	4
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	3,299,700	0.09	0.02	5
	Domestic Share	Long	Beneficial owner	705,349,937	6.78	5.08	5
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	972,384,600	27.95	7.00	6
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	562,254,000	16.16	4.05	6
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	410,130,600	11.79	2.95	6
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	598,094,200	17.19	4.31	7
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	598,094,200	17.19	4.31	7
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Modern Innovation Holdings Co., Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Qingtian Anyin Enterprise Management Consulting Co., Ltd. (青田安銀企業管理諮詢有限公司)	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Jing'An Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Xinhua Asset Investment Management Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 13
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the	Percentage of all	Note
					underlying shares in issue (%)	issued ordinary shares (%)	
Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	1,071,871,000	30.81	7.72	10, 11, 13
	H Share	Long	Beneficial owner	173,993,400	5.00	1.25	9
Wealth Honest Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
	H Share	Long	Beneficial owner	631,871,000	18.16	4.55	10
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Qingdao State-owned Assets Supervision & Administration Commission (青島市國有資產管理委員會)	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Investment (Group) Limited (青島城市建設投資(集團)有限責任公司)	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Financial Holding Group Co., Ltd. (青島城投金融控股集團有限公司)	H Share	Long	Security interest	440,000,000	12.65	3.17	11
China Golden Harbour (Holdings) Group Limited (中國金港(控股)集團有限公司)	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Golden Harbour Global Holdings Limited (金港國際控股有限公司)	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Wealth Honest Fund LP	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11
Golden Harbour Investments Management Limited	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	11
Zheng Yonggang	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Zhou Jiqing	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Ningbo Qinggang Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Shanshan Holdings Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
	H Share	Long	Interest of acting in concert	1,245,864,400	35.81	8.97	14
Shanshan Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
Zhongjing Sihai Co., Ltd.	Domestic Share	Long	Beneficial owner	506,102,476	4.86	3.64	12
Dragon Sound Investment Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	273,449,000	7.86	1.97	13
Joy Glory Holdings Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	532,415,400	15.30	3.83	13

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the	Percentage of all	Note
					underlying shares in issue (%)	issued ordinary shares (%)	
Superior Logic Investments Limited	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	13
Wang Wenyin	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Liu Jiehong	H Share	Long	Interest of the Spouse	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of the Spouse	224,781,227	2.16	1.62	15
Amer Holdings Group Limited (正威控股集团(集团)有限公司)	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	15
Shenzhen Amer (Group) Limited (深圳正威(集团)有限公司)	H Share	Long	Beneficial owner	1,245,864,400	35.81	8.97	9, 10, 11, 16
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	15
Guotai Junan Securities Co., Ltd.	H Share	Long	Interest of controlled corporation	273,509,400	7.86	1.97	17
Guotai Junan International Holdings Limited	H Share	Long	Interest of controlled corporation	273,509,400	7.86	1.97	17
Haitong Securities Co., Ltd.	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Holdings Limited	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Securities Group Limited	H Share	Long	Interest of controlled corporation	210,000,000	6.04	1.51	18
Haitong International Securities (Singapore) Pte. Ltd.	H Share	Long	Security interest	210,000,000	6.04	1.51	18

Notes:

- (1) Deposit Insurance Fund Management Co., Ltd. directly holds 1,559,000,000 Domestic Shares (long position) of the Bank.
- (2) Xing An Holdings Limited holds 329,973,600 H Shares (long position) of the Bank. Xing An Holdings Limited is a wholly – owned subsidiary directly controlled by Anhui Province Energy Group Company Limited. As such, Anhui Province Energy Group Company Limited is deemed to be interested in the shares of the Bank held by Xing An Holdings Limited.

At the same time, Anhui Province Energy Group Company Limited directly holds 843,363,819 Domestic Shares (long position) of the Bank. In addition, Anhui Province Energy Group Company Limited is deemed to be interested in 150,814,726 Domestic Shares and 23,579,472 Domestic Shares of the Bank that were held by its controlling subsidiaries, An Hui Wenergy Company Limited and Anhui Natural Gas Development Co., Ltd., respectively.

- (3) 208,200,021 Domestic Shares (long position) of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Anhui Guarantee Asset Management Co., Ltd. is a wholly-owned subsidiary of Anhui Credit Financing Guaranty Group Co., Ltd. Anhui Credit Financing Guaranty Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Meanwhile, Anhui Credit Financing Guaranty Group Co., Ltd. directly holds 827,658,091 Domestic Shares (long position) of the Bank.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

- (4) Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. hold 361,662 Domestic Shares (long position) and 35,751,470 Domestic Shares (long position) of the Bank, respectively. Anhui Guoyuan Financial Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. At the same time, Anhui Guoyuan Financial Holding Group Co., Ltd. directly holds 837,810,695 Domestic Shares (long position) of the Bank.
- (5) Anhui Transportation Holding Group (H.K.) Limited holds 3,299,700 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Transportation Holding Group (H.K.) Limited. At the same time, Anhui Transportation Holding Group Co., Ltd. directly holds 705,349,937 Domestic Shares (long position) of the Bank.
- (6) China Vanke Co., Ltd. is deemed to be interested in a total of 972,384,600 H Shares (long position) of the Bank by virtue of its control over the following corporations which directly hold interests in the Bank:
- 6.1 Wkland Finance Holding Company Limited holds 562,254,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- 6.2 Wkland Finance Holding II Company Limited holds 410,130,600 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- (7) Sunshine Life Insurance Corporation Limited holds 598,094,200 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.
- (8) Zhongjing Xinhua Asset Investment Management Co., Ltd. ("Zhongjing Xinhua") directly holds 224,781,227 Domestic Shares (long position) of the Bank. Zhongjing Xinhua is a subsidiary directly controlled by Jing'An Shanghai Silver Investment Co., Ltd. ("Jing'An Silver"). Jing'An Silver is a wholly-owned subsidiary controlled by Qingtian Anyin Enterprise Management Consulting Co., Ltd. (青田安銀企業管理諮詢有限公司, "Qingtian Anyin"). Qingtian Anyin is a wholly-owned subsidiary controlled by Modern Innovation Holdings Co., Limited ("Modern Innovation"). Modern Innovation is a subsidiary directly controlled by Zhongjing Industry (Group) Limited ("Zhongjing Industry"). The 97.5% shares of Zhongjing Industry are held by Shanghai Soong Ching Ling Foundation. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Qingtian Anyin, Modern Innovation and Jing'An Silver are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua.

Shanshan Holdings Co., Ltd. ("Shanshan Holdings") entered into an agreement with Zhongjing Xinhua on 20 August 2019, pursuant to which Shanshan Holdings acquired 224,781,227 Domestic Shares of Huishang Bank held by Zhongjing Xinhua, which have not been transferred. Pursuant to relevant requirements of the SFO, during the period from the signing of the agreement to prior to the completion of the transfer of shares, both Shanshan Holdings and Zhongjing Xinhua shall be deemed to be interested in such shares acquired or disposed of and both of them are beneficial owners. Zheng Yonggang, Zhou Jiqing and Ningbo Qinggang Investment Co., Ltd. ("Ningbo Qinggang") are deemed to be interested in the above shares of the Bank held by Shanshan Holdings.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

(8) (Continued)

According to the disclosure of interest forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd., on behalf of all vendors, issued a written notice to Shanshan Holdings Co., Ltd. on 1 June 2020, announcing the termination of the Framework Agreement signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying Domestic Shares to Shanshan Holdings Co., Ltd...."

According to the "Announcement of Zhongjing Xinhua Asset Investment Management Co., Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd." ... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Co., Ltd." disclosed by Zhongjing Xinhua on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." According to the 2022 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 August 2022, "In the Case (1) and Case (2) regarding disputes on disposal of equity in Zhongjing Sihai, the two cases involve two unlisted equity claims, namely Zhongjing Xinhua's prosecution against Shanshan Holdings for the return of 51.6524% equity in Zhongjing Sihai, and Shanshan Holdings's request to acquire 225,000,000 unlisted domestic shares of Huishang Bank held by Zhongjing Xinhua, which has been withdrawn by Shanshan Holdings due to its adjustment to such request. Since 2021, the court has held several court sessions, and arranged out-of-court evidence exchange and cross-examination for Case (1) and Case (2). The court trial procedures have ended, but the two cases are pending for judgment." According to the 2022 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 28 April 2023, the lawsuit status is that "the judgment of first instance trial has been pronounced and both parties have lodged their appeals; the second instance trial will be heard on 17 May 2023." For details, please refer to the announcement published by Zhongjing Xinhua on the SSE.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

(8) (Continued)

According to the "Announcement of Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group Co., Ltd. ("Shanshan Group") on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings... filed a lawsuit with Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." According to the 2021 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 29 April 2022, "At present, the case is still in the process of hearing." According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements to Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and equity interests of Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests of Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such cases are in the process of the second instance trial at the Shanghai High People's Court." According to the "Announcement Regarding Progress of the Company's Material Litigations" published by Shanshan Group on the SSE on 25 September 2023, "On 22 September 2023, Shanghai High People's Court issued the second instance judgements on the above two disputes on transfer of equity interests respectively. ... contents of the judgments: the appeals were dismissed and the original judgments were upheld". For details, please refer to the announcement published by Shanshan Group on the SSE.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution". According to the 2021 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2022, "Since the Company has not reached any binding agreement with OCI International on the sale of shares in Huishang Bank within the validity period, the Letter of Intent hereby lapsed."

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

(8) (Continued)

According to the "Announcement of Zhongjing Xinhua Asset Investment Management Co., Ltd. Regarding the Disposal of Asset" issued by Zhongjing Xinhua on the SSE on 9 November 2021, "Zhongjing Xinhua Asset Investment Management Co., Ltd. (on behalf of all sellers) entered into an Agreement with Shenzhen Amer (Group) Limited (深圳正威(集團)有限公司) (on behalf of all purchasers) on 6 November 2021, pursuant to which, the sellers shall sell around 1.977 billion shares of Huishang Bank Corporation Limited to the purchasers".

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 1,245,864,400 H Shares of the interest of corporation controlled by Zhongjing Xinhua. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(9) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited ("Zhongjing Xinhua Hong Kong") holds 173,993,400 H Shares (long position) of the Bank. Zhongjing Xinhua Hong Kong is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver and Zhongjing Xinhua are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Hong Kong.

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 215,249,000 H Shares held directly by and 1,030,615,400 H Shares of the interest of corporation controlled by Zhongjing Xinhua Hong Kong. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(10) Wealth Honest Limited ("Wealth Honest") holds 631,871,000 H Shares (long position) of the Bank. Wealth Honest is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua Hong Kong, which in turn is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua and Zhongjing Xinhua Hong Kong are deemed to be interested in the shares of the Bank held by Wealth Honest.

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 590,615,400 H Shares held directly by and 440,000,000 H Shares of the interest of corporation controlled by Wealth Honest. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(11) Golden Harbour Investments Management Limited ("Golden Harbour") holds 440,000,000 H Shares (long position) of the Bank. The Bank was further informed by Zhongjing Xinhua by email that Wealth Honest Fund LP (a limited partnership established in the Cayman Islands) holds 100% equity interests in Golden Harbour; and Wealth Honest Cayman Holdings Company Limited (a direct wholly-owned subsidiary of Wealth Honest) is the sole general partner of Wealth Honest Fund LP and has absolute control over the operations of the partnership. Wealth Honest can 100% indirectly control Golden Harbour. For information about Wealth Honest, please refer to note (10) above. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua, Zhongjing Xinhua Hong Kong, Wealth Honest, Wealth Honest Cayman Holdings Company Limited and Wealth Honest Fund LP are deemed to be interested in the shares of the Bank held by Golden Harbour.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

(11) (Continued)

According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by the State-owned Assets Supervision and Administration Commission of Qingdao City and its subsidiaries, Golden Harbour Global Holdings Limited, a wholly-owned subsidiary directly controlled by China Golden Harbour (Holdings) Group, holds 70% equity interests in Wealth Honest Fund LP; China Golden Harbour (Holdings) Group is a wholly-owned subsidiary directly controlled by Qingdao City Construction Financial Holding Group Co., Ltd.; Qingdao City Construction Financial Holding Group Co., Ltd. is a wholly-owned subsidiary directly controlled by Qingdao City Construction Investment (Group) Limited; Qingdao City Construction Investment (Group) Limited is wholly-owned by the State-Owned Assets Supervision & Administration Commission of Qingdao City. The State-owned Assets Supervision and Administration Commission of Qingdao City, Qingdao City Construction Investment (Group) Limited, Qingdao City Construction Financial Holding Group Co., Ltd., China Golden Harbour (Holdings) Group and Golden Harbour Global Holdings Limited are deemed to be interested in the shares of the Bank held by Golden Harbour.

According to the interest form on the Hong Kong Stock Exchange, it has entered in to an agreement to sell the shares it was interested in, which do not need to be delivered within 4 trading days, involving 440,000,000 H Shares held directly by Golden Harbour. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.

(12) Zhongjing Sihai Co., Ltd. ("Zhongjing Sihai") holds 506,102,476 Domestic Shares of the Bank. According to the relevant shareholding table from the Hong Kong Stock Exchange and business registration information publicly disclosed by Zhongjing Sihai:

In August 2019, Zhongjing Xinhua transferred its equity interests of 51.6524% in Zhongjing Sihai to Shanshan Group, upon which Shanshan Group owned 100% equity interests in Zhongjing Sihai. Shanshan Group is the subsidiary of Shanshan Holdings which owns its equity interests of 73.46%, which in turn is the subsidiary of Ningbo Qinggang which holds its equity interests of 48.06%. Zheng Yonggang and Zhou Jiqing hold the equity interests of 51% and 49% in Ningbo Qinggang, respectively. As such, Zheng Yonggang, Zhou Jiqing, Ningbo Qinggang, Shanshan Holdings and Shanshan Group are deemed to be interested in the shares of the Bank held by Zhongjing Sihai.

According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements on Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and Equity Interests of Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests of Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such cases are in the process of the second instance trial at the Shanghai High People's Court." According to the "Announcement Regarding Progress of the Company's Material Litigations" published by Shanshan Group on the SSE on 25 September 2023, "On 22 September 2023, Shanghai High People's Court issued the second instance judgements on the above two disputes on transfer of equity interests respectively. ...contents of the judgments: the appeals were dismissed and the original judgments were upheld". For details, please refer to the announcement published by Shanshan Group on the SSE.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

- (13) According to the disclosure of interests forms submitted by DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, and SUPERIOR LOGIC INVESTMENTS LIMITED to the Hong Kong Stock Exchange, related parties acquired 273,449,000, 532,415,400 and 440,000,000 H Shares of the Bank, respectively. According to the form of disclosure interest submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, related parties entered into an agreement in relation to the disposal of shares in which they were interested. The transfer of such share interests has not been completed. Pursuant to relevant requirements of the SFO, during the period from the entering of the agreement to prior to the completion of the transfer of shares, related purchasers and vendors shall be deemed to be interested in such shares they have purchased or disposed of and all of them are beneficial owners.

According to the disclosure of interests forms submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd., on behalf of all vendors, issued a written notice to Shanshan Holdings Co., Ltd. on 1 June 2020, announcing the termination of the Framework Agreement signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying H Shares to Shanshan Holdings Co., Ltd. ...".

According to the "Announcement of Zhongjing Xinhua Asset Investment Management Co., Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the SSE on 9 July 2020, "... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd." ... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." According to the 2021 Interim Report of Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 30 August 2021, "The case was later transferred to Shanghai Financial Court and has not been concluded as of the date of this report." According to the "2021 Audit Report and Financial Statements of Zhongjing Xinhua Asset Investment Management Co., Ltd." disclosed on the SSE on 28 April 2022, "As of now, the above cases are in progress and pending for judgment." According to the 2022 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 30 August 2022, "In the Case (1) and Case (2) regarding disputes on disposal of equity in Zhongjing Sihai, the two cases involve two unlisted equity claims, namely Zhongjing Xinhua's prosecution against Shanshan Holdings for the return of 51.6524% equity in Zhongjing Sihai, and Shanshan Holdings' request to acquire 225,000,000 unlisted domestic shares of Huishang Bank held by Zhongjing Xinhua, which has been withdrawn by Shanshan Holdings due to its adjustment to such request. Since 2021, the court has held several court sessions, and arranged out-of-court evidence exchange and cross-examination for Case (1) and Case (2). The court trial procedures have ended, but the two cases are pending for judgment." According to the 2022 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. disclosed by Zhongjing Xinhua on the SSE on 28 April 2023, the lawsuit status is that "the judgment of first instance trial has been pronounced and both parties have lodged their appeals; the second instance trial will be heard on 17 May 2023." For details, please refer to the announcement issued by Zhongjing Xinhua on the SSE.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

(13) (Continued)

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution". According to the 2021 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2022, "Since the Company has not reached any binding agreement with OCI International on the sale of shares in Huishang Bank within the validity period, the Letter of Intent hereby lapsed."

According to the "Announcement of Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group on the SSE on 10 July 2020, "... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. ... Shanshan Holdings... filed a lawsuit with Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." According to the 2021 Interim Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 31 August 2021, "As of the date of this report, the case has been transferred from the Intermediate People's Court of Huangshan City to Shanghai Financial Court. At present, the first instance has been held but pending for judgment." According to the 2021 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 29 April 2022, "At present, the case is still in the process of hearing." According to the "Announcement of Shanshan Group Co., Ltd. Regarding Progress of the Company's Material Litigations" issued by Shanshan Group on the SSE on 20 January 2023, "On 17 January 2023, Shanghai Financial Court issued the first instance judgements on the two cases regarding the dispute on transfer of equity interests, namely ① the case involving Zhongjing Xinhua v. Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1715), and ② the case involving Shanshan Holdings v. Zhongjing Xinhua for the dispute on equity transfer contract ([2020] Hu 74 Min Chu No. 1254) (hereinafter collectively referred to as the "Judgements"), and served the Judgements on Shanshan Holdings, Shanshan Group, and Zhongjing Sihai. Shanshan Group received the Judgements on 18 January 2023. The main content of the two Judgements are summarised as follows: (1) the Framework Agreement on the Transfer of Shares of Huishang Bank Corporation Limited and Equity Interests of Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Holdings, the Agreement on Transfer of Equity in Zhongjing Sihai Co., Ltd. entered into by Zhongjing Xinhua and Shanshan Group, the Equity Transfer Contract entered into by Zhongjing Xinhua and Shanshan Holdings were terminated on 2 June 2020; (2) Zhongjing Xinhua shall return the amount equal to the consideration paid by Shanshan Holdings for the equity transfer; (3) Shanshan Group shall return 51.6524% equity interests of Zhongjing Sihai registered under the name of Shanshan Group, and Zhongjing Xinhua shall return the corresponding amount of equity transfer consideration; (4) other claims were rejected." According to the 2022 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 28 April 2023, "At present, such cases are in the process of the second instance trial at the Shanghai High People's Court." According to the "Announcement Regarding Progress of the Company's Material Litigations" published by Shanshan Group on the SSE on 25 September 2023, "On 22 September 2023, Shanghai High People's Court issued the second instance judgements on the above two disputes on transfer of equity interests respectively. ... contents of the judgments: the appeals were dismissed and the original judgments were upheld". For details, please refer to the announcement issued by Shanshan Group on the SSE.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes: (Continued)

- (14) According to the disclosure of interests forms submitted by companies including Shanshan Holdings to the Hong Kong Stock Exchange, Shanshan Holdings entered into an acting in concert agreement with SUPERIOR LOGIC INVESTMENTS LIMITED, DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, respectively.
- (15) According to the disclosure of interests forms submitted by Shenzhen Amer (Group) Limited ("Amer Group") to the Hong Kong Stock Exchange, Amer Group purchased 224,781,227 Domestic Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings Group Limited (正威控股集团有限公司) ("Amer Holdings"), which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (16) According to the disclosure of interests forms submitted by Amer Group to the Hong Kong Stock Exchange, Amer Group purchased 1,245,864,400 H Shares. Amer Group is a wholly-owned subsidiary of Amer Holdings, which in turn is owned as to 90% by Wang Wenyin. Liu Jiehong is the spouse of Wang Wenyin. Wang Wenyin, Liu Jiehong and Amer Holdings therefore are deemed to be interested in the Shares of the Bank held by Amer Group. According to the information available to the Bank, as of the end of the Reporting Period, the delivery of these shares has not yet been completed.
- (17) According to the disclosure of interests forms submitted by Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. to the Hong Kong Stock Exchange on 8 March 2022, their controlled corporation, Guotai Junan Securities (Hong Kong) Limited acquired security interests in 483,582,400 H Shares. According to the disclosure of interests forms submitted by Guotai Junan International Holdings Limited and Guotai Junan Securities Co., Ltd. to the Hong Kong Stock Exchange on 28 July 2022, the foresaid security interests decreased to 273,509,400 shares. Guotai Junan International Holdings Limited is indirectly owned as to 73.24% by Guotai Junan Securities Co., Ltd., and Guotai Junan Securities (Hong Kong) Limited is directly owned as to 100.00% by Guotai Junan International Holdings Limited. Guotai Junan Securities Co., Ltd. and Guotai Junan International Holdings Limited therefore are deemed to be interested in such shares.
- (18) According to the disclosure of interests forms submitted by Haitong Securities Co., Ltd, Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International Securities (Singapore) Pte. Ltd. to the Hong Kong Stock Exchange, their controlled corporation, Haitong International Securities (Singapore) Pte. Ltd., acquired security interests in 210,000,000 H Shares. Haitong International Holdings Limited is owned as to 100% by Haitong Securities Co., Ltd, and Haitong International Securities Group Limited is owned as to 65% by Haitong International Holdings Limited; Haitong International Securities (Singapore) Pte. Ltd. is owned as to 100% by Haitong International Securities Group Limited, and Haitong International Securities (Singapore) Pte. Ltd. is owned as to 100% by Haitong International Securities Group (Singapore) Pte. Ltd. Haitong Securities Co., Ltd, Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International Securities (Singapore) Pte. Ltd. therefore are deemed to be interested in such shares.
- (19) The information disclosed above is based on the information available on the website of the Hong Kong Stock Exchange and the information available to the Bank as of the Latest Practicable Date. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Bank changes, it is not necessary for the shareholder to notify the Bank and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore the shareholder's latest shareholding in the Bank may be different from the shareholding filed with the Hong Kong Stock Exchange.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and 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.

Chapter VII Changes in Share Capital and Particulars of Shareholders

7.5 INITIAL PUBLIC OFFERING OF A SHARES

The 2018 annual general meeting was convened by the Bank on 30 June 2019, at which, among others, the resolution for initial public offering and listing of A shares (“A Share Offering”) was considered and approved. The Bank proposed issuing no more than 1.5 billion A shares. The Resolution on the extension of the validity period of the A Share Offering of the Bank and Resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering were considered and approved at the 2019 annual general meeting held on 30 June 2020, the 2020 annual general meeting held on 30 June 2021, the 2021 annual general meeting held on 30 June 2022 and the 2022 annual general meeting held on 30 June 2023 of the Bank. The Bank will extend the validity period of A Share Offering Plan and the Authorization Resolution for twelve months from the next day immediately after the expiration of original validity period (namely, the extended period will be from 30 June 2023 to 29 June 2024). Considering the reform of the registration-based IPO system in the A-share market, in order to ensure that the A Share Offering can proceed continuously, the Bank will make corresponding adjustments to the A Share Offering Plan and the Authorization Resolution according to the reform schedule of the registration-based IPO system, and other contents as set forth under the A Share Offering Plan and the Authorization Resolution remain unchanged. Please refer to the circulars of the Bank dated 15 May 2019, 15 May 2020, 24 May 2021, 25 May 2022 and 6 June 2023 for the details of the resolution on the aforesaid A Share Offering.

The Bank will publish announcements, in due course, to give the shareholders and potential investors the updates on the A Share Offering. The A Share Offering may or may not be completed, and the shareholders and potential investors are advised to exercise caution when dealing in the shares of the Bank.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name of current directors	Gender	Date of birth	Position held	Start of term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand) ⁽²⁾
Yan Chen	Male	August 1972	Executive Director Chairman of the Board	December 2019 July 2021	83.3
Kong Qinglong	Male	May 1976	Executive Director President	May 2023 April 2023	73.8
Ma Lingxiao	Male	July 1978	Non-executive Director	November 2021	–
Shao Dehui	Female	December 1963	Non-executive Director	October 2022	–
Wang Zhaohui	Male	December 1970	Non-executive Director	November 2023	–
Wu Tian	Male	October 1964	Non-executive Director	December 2018	–
Zuo Dunli	Male	October 1971	Non-executive Director	January 2023	–
Gao Yang	Male	June 1966	Non-executive Director	November 2018	–
Wang Wenjin	Male	December 1966	Non-executive Director	December 2018	–
Zhao Zongren	Male	February 1956	Non-executive Director	November 2018	–
Dai Peikun	Male	April 1953	Independent Non-executive Director	December 2018	–
Zhou Yana	Female	January 1954	Independent Non-executive Director	November 2018	24
Liu Zhiqiang	Male	September 1956	Independent Non-executive Director	December 2018	–
Yin Jianfeng	Male	December 1969	Independent Non-executive Director	December 2018	24
Huang Aiming	Female	December 1969	Independent Non-executive Director	January 2019	24
Xu Jiabin	Male	March 1966	Independent Non-executive Director	June 2022	24

Name of current supervisor	Gender	Date of birth	Position held	Start of term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand) ⁽²⁾
He Jiehua	Male	March 1966	Employee Supervisor Chairman of the Board of Supervisors	July 2020 July 2020	89.4
Zhong Qiushi	Male	February 1965	Employee Supervisor General Manager of the Risk Management Department	October 2018 April 2018	162.8
Sun Zhen	Male	September 1976	Employee Supervisor President of Huaibei Branch	July 2020 December 2022	176.7
Wang Anning	Male	December 1969	Shareholder Supervisor	June 2023	–
Dong Xiaolin	Female	September 1963	External Supervisor	November 2018	20
Zhou Zejiang	Male	November 1983	External Supervisor	June 2020	20
Han Dongya	Male	October 1975	External Supervisor	June 2023	11.5

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name of current senior management	Gender	Date of birth	Position held	Start of term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand) ⁽²⁾
Kong Qinglong	Male	May 1976	Executive Director	May 2023	73.8
			President	April 2023	
Zhang Juzhong	Male	March 1969	Vice President	May 2021	68.7
Xu Guangcheng	Male	August 1969	Vice President	November 2022	68.7
Huang Xiaoyan	Female	December 1971	Director of Investment and Wealth	January 2019	198.7
Zhou Tong	Female	September 1965	Director of Compliance and Risk	January 2019	198.2
Li Dawei	Male	July 1964	Financial Controller	January 2019	198.2
Lian Baohua	Male	August 1965	Secretary to the Board of Directors	January 2019	198.1
Liu Fei	Male	March 1966	Assistant to President	March 2022	224.8
Wang Yong	Male	August 1971	Chief Information Officer	August 2023	97.8
Zhang Jianping	Male	October 1974	Director of Human Resources	August 2023	98.0

Name of resigned personnel	Gender	Date of birth	Position held	Start and end of term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand) ⁽²⁾
Wang Zhaoyuan	Male	January 1971	Former Non-executive Director	October 2021- June 2023	-
Tang Chuan	Male	November 1962	Former Employee Supervisor	October 2018- March 2023	-
Zhai Shengbao	Male	November 1976	Former External Supervisor	June 2020- May 2023	7
Chen Rui	Male	November 1977	Former Shareholder Supervisor	November 2018- February 2024	-
Yi Feng	Male	August 1963	Former Vice President	September 2019- November 2023	62.7

Notes: (1) The above descriptions of the positions of directors, supervisors and senior management are the conditions as at the Latest Practicable Date. For details of the changes in positions, please refer to Section 8.2 “Changes in Directors, Supervisors and Senior Management of the Bank” in this annual report.

(2) Pursuant to the requirements of the relevant PRC authorities, the remuneration payable to the above is still subject to final confirmation. Further disclosure will be made after the confirmation of the final remuneration. The total remuneration before tax from the Bank during the Reporting Period includes the “five insurances and housing provident fund” and the portion of corporate contribution to enterprise annuity.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

1. On 18 January 2023, the Bank announced that Mr. Zuo Dunli's qualification as a non-executive director of the Bank was approved by the former CBIRC Anhui Office. On 10 February 2023, the Bank announced that the Board held a meeting on the same date, at which the resolution regarding the election of Mr. Zuo Dunli as a member of the Strategic Development and Consumer Rights Protection Committee, member of the Audit Committee and member of the Risk Management Committee of the fourth session of the Board of the Bank was approved.
2. On 10 February 2023, the Bank announced that the Board of the Bank held a meeting on the same date, at which the resolution regarding the appointment of Mr. Kong Qinglong as the President of the Bank was approved, and his qualification as the president is subject to approval of the banking regulatory authority. Mr. Kong Qinglong will perform the duties of the President on the behalf prior to the approval of his qualification as the President. In addition, Mr. Kong Qinglong was proposed to be appointed as an executive director of the fourth session of the Board of the Bank, and the resolution regarding the election of Mr. Kong Qinglong as an executive director of the Bank is subject to consideration and approval by the shareholders at the general meeting. His qualification as a director will be submitted to the banking regulatory authority for approval after the resolution is considered and approved at the general meeting. On 12 April 2023, the Bank announced that the Bank held the 2023 first extraordinary general meeting on the same date, at which the election of Mr. Kong Qinglong as an executive director of the fourth session of the Board of the Bank was considered and approved, and his qualification as a director was subject to approval of the banking regulatory authority. On 14 April 2023, the Bank announced that Mr. Kong Qinglong's qualification as the President of the Bank was approved by the former CBIRC Anhui Office. On 31 May 2023, the Bank announced that Mr. Kong Qinglong's qualification as the executive director of the Bank was approved by the former CBIRC Anhui Office. On 29 June 2023, the Bank announced that the Board held a meeting on the same date, at which the resolution regarding the election of Mr. Kong Qinglong, the executive director, as a member of the Strategic Development and Consumer Rights Protection Committee, member of the Nomination and Remuneration Committee and member of the Related Party Transaction Control Committee of the fourth session of the Board of the Bank was approved.
3. The Bank announced on 20 March 2023 that Mr. Tang Chuan resigned from the positions as an employee supervisor and a member of the Nomination Committee under the Board of Supervisors of the Bank due to reaching statutory retirement age. His resignation took effect on the same date.
4. The Bank announced on 15 May 2023 that Mr. Zhai Shengbao resigned from the positions as an external supervisor and chairman of the Supervision Committee of the Board of Supervisors of the Bank due to a change in job duties. His resignation will be effective from the date when the Bank officially appoints a successor external supervisor; in addition, the Board of Supervisors of the Bank has passed a resolution on the same date and proposed the election of Mr. Wang Anning as the shareholder supervisor of the fourth session of the Supervisory Board of the Bank and Mr. Han Dongya as the external supervisor of the fourth session of the Supervisory Board of the Bank to the general meeting of the Bank. The Bank made an announcement on 30 June 2023, announcing that the Bank held the 2022 annual general meeting on the same date, at which the election of Mr. Wang Anning as the shareholder supervisor of the fourth session of the Supervisory Board of the Bank and Mr. Han Dongya as the external supervisor of the fourth session of the Supervisory Board of the Bank were considered and approved; at the same time, the resignation of Mr. Zhai Shengbao took effect on the same day.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK (CONTINUED)

5. On 26 June 2023, the Bank announced that Mr. Wang Zhaoyuan resigned from the positions as a non-executive director of the Bank and member of the Strategic Development and Consumer Rights Protection Committee due to his work re-designation. His resignation took effect on 25 June 2023.
6. On 29 June 2023, the Board of the Bank held a meeting and appointed Mr. Wang Yong as the Chief Information Officer of the Bank and Mr. Zhang Jianping as the Human Resources Director of the Bank. The qualifications of Mr. Wang Yong and Mr. Zhang Jianping were approved by the Anhui Office of the National Administration of Financial Regulation on 16 August 2023.
7. On 31 July 2023, the Bank announced that the board has passed a resolution on the same day and proposed to appoint Mr. Wang Zhaohui as a non-executive Director of the Bank, and the resolution regarding the election of Mr. Wang Zhaohui as a non-executive director of the Bank is subject to the consideration and approval by the shareholders at the general meeting. His qualification as a director will be submitted to the banking regulatory authority for approval after the resolution is considered and approved at the general meeting. On 15 September 2023, the Bank announced that the Bank held the 2023 second extraordinary general meeting on the same date, at which the election of Mr. Wang Zhaohui as a non-executive director of the fourth session of the Board of the Bank was considered and approved, and his qualification as a director was subject to the approval of the banking regulatory authority. On 23 November 2023, the Bank announced that Mr. Wang Zhaohui's qualification as a non-executive director of the Bank was approved by the Anhui Office of the National Administration of Financial Regulation. On 20 December 2023, the Bank announced that the Board held a meeting on the same date, at which the resolution regarding the election of Mr. Wang Zhaohui, the non-executive director, as a member of the Strategic Development and Consumer Rights Protection Committee of the fourth session of the Board was approved.
8. On 3 November 2023, Mr. Yi Feng resigned from the position as a vice president of the Bank due to reaching statutory retirement age. His resignation took effect on the same date.
9. The Bank announced on 4 March 2024 that Mr. Chen Rui resigned from the positions as a shareholder supervisor and a member of the Supervisory Committee of the Board of Supervisors of the Bank on 29 February 2024 due to changes in job position. His resignation took effect on the same date.
10. On 26 March 2024, the Bank announced that the Supervisory Committee of the Bank has passed a resolution on the same day and proposed to appoint Mr. He Zongan as a shareholder supervisor of the fourth session of the Supervisory Committee of the Bank, and the resolution regarding the election of Mr. He Zongan as a shareholder supervisor of the Bank is subject to the consideration and approval by the shareholders at the general meeting of the Bank.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK (CONTINUED)

11. Save as disclosed above, pursuant to the requirement of Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in the information of directors, supervisors and senior management of the Bank during the Reporting Period and as of the Latest Practicable Date are as follows:

- (1) Ms. Shao Dehui, a non-executive director of the Bank, ceased to serve as the chief accountant of Anhui Province Energy Group Company Limited (安徽省能源集團有限公司).
- (2) Mr. Zuo Dunli, a non-executive director of the Bank, ceased to serve as the director of Anhui High-way Real Estate Group Limited (安徽省高速地產集團有限公司).
- (3) Mr. Gao Yang, a non-executive director of the Bank, ceased to serve as the chairman of Zhongjing Xinhua Asset Investment Management Co., Ltd.
- (4) Ms. Zhou Yana, an independent non-executive director of the Bank, ceased to serve as an independent director of Anhui Gourgen Traffic Construction Co., Ltd.
- (5) Mr. Zhong Qiushi, an employee supervisor of the Bank, ceased to serve as a supervisor of Huishang Bank Financial Leasing Co., Ltd.
- (6) Mr. Sun Zhen, an employee supervisor of the Bank, ceased to serve as a director of Huishang Bank Financial Leasing Co., Ltd.
- (7) Mr. Han Dongya, an external supervisor of the Bank, is also an independent director of HF Logistics Group Co., Ltd. (合肥物流控股集團有限公司).
- (8) Mr. Liu Fei, the assistant to president of the Bank, ceased to serve as the president of Hefei Branch of the Bank.

Save as disclosed above, during the Reporting Period and as of the Latest Practicable Date, the Bank was not aware of any change in the information of directors, supervisors or senior management which required to be disclosed pursuant to the requirements of the Rule 13.51B(1) of the Hong Kong Listing Rules.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors



Mr. Yan Chen, joined the Bank in December 2019, and is currently an executive director and the chairman of the Bank. He was a section-chief grade clerk of the planning division of the comprehensive planning bureau, the deputy director of the general division of the propaganda department of the party committee, and the deputy director of the rating methods and standards division of the credit administration bureau of the China Development Bank, the deputy director of the SME Development Bureau of Anhui Province, the deputy director of the Anhui Provincial Economic Commission, the deputy director of the Anhui Economic and Information Technology Commission, a member of the Standing Committee and the deputy mayor of Municipal Committee of Chizhou City, a member of the Standing Committee of the Xuancheng Municipal Committee, a minister of the Organization Department of Xuancheng City, the deputy secretary of the Xuancheng Municipal Committee, the chairman of Anhui Credit Guaranty Group Co., Ltd. and the chairman of Anhui Financing Re-guarantee Co., Ltd., the director of Chery Automobile Co., Ltd. and the non-executive director of the Bank. He holds a doctorate in economics from Renmin University of China, and is an economist.



Mr. Kong Qinglong, joined the Bank in January 2023, and is currently an executive director and the President of the Bank. Mr. Kong previously served as a business assistant of the Investment Banking Department (Shanghai) and a senior business director (at deputy general manager level) of the Bonds Department of Huaxia Securities Co., Ltd. (華夏證券股份有限公司), the deputy head officer of the board office, the general manager of the Research and Development Center, the assistant to the president, the vice president of China Minzu Securities Co., Ltd. (中國民族證券有限責任公司), a director and the general manager of Great Wall Pan Asia International Investment Co. Ltd. (Hong Kong), a wholly-owned subsidiary of China Great Wall Asset Management Co., Ltd., the deputy general manager of the Investment Banking Department of the Head Office of Industrial and Commercial Bank of China Limited and the general manager of the Private Banking Department of the Head Office and the president of Hefei Branch of China Minsheng Banking Corp., Ltd. He holds a doctorate degree in economics from Renmin University of China, and is a member of the Standing Committees of All-China Youth Federation and National Financial Youth Federation.



Mr. Ma Lingxiao, joined the Bank in November 2021, and is currently a non-executive director of the Bank. He was formerly the section chief of the financial stabilization division, the director of the financial research division of the People's Bank of China (during the period from August 2009 to July 2012, he joined the Post-Doctoral Mobile Station of the Institute of Finance of the People's Bank of China), and the deputy researcher of the deposit insurance division of the operation management office of the People's Bank of China. He is currently the deputy director of the early correction department of Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司). Mr. Ma, a researcher associate, obtained a doctorate degree in economics from Xi'an Jiaotong University.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)



Ms. Shao Dehui, joined the Bank in October 2022, and is currently a non-executive director of the Bank. She served as the financial accountant and associate chief officer of the Office of the Provincial Textile Bureau, the chief officer of the Audit Department of the Provincial Textile Bureau, an assistant to the investigation special commissioner of the Provincial Government, a deputy divisional full-time supervisor and a divisional full-time supervisor (director) of the Office of the Provincial SASAC Supervisory Committee, the chief accountant of Anhui Province Energy Group Company Limited (安徽省能源集團有限公司). She holds a bachelor's degree in economics and management from the Party School of the Anhui Provincial Party Committee and is a senior accountant.



Mr. Wang Zhaohui, joined the Bank in November 2023, and is currently a non-executive director of the Bank. He served as the director of the Office and deputy director of Anhui Provincial Local Taxation Bureau; member of the Standing Committee of Municipal Party Committee, director of the Organization Department and director of the United Front Work Department of Fuyang, Anhui Province; and deputy director of Anhui Provincial Department of Finance. He is currently a director and general manager of Anhui Credit Financing Guaranty Group Co., Ltd. He is a postgraduate in economic management from Party School of the Central Committee.



Mr. Wu Tian, joined the Bank in December 2018, and is currently a non-executive director of the Bank. His primary working experience includes: the counsellor and deputy secretary of Communist Youth Party Committee at Anhui Technical Institute, the director of the third division of the general office and the deputy chief (director-level) of the second division of the general office of Anhui Provincial Government, the deputy general manager, the general counsel, a director and the general manager of Anhui Expressway Holding Corporation and the deputy general manager of Anhui Guoyuan Holding (Group) Co., Ltd. He is currently the general manager of Anhui Guoyuan Financial Holding Group Co., Ltd. He obtained a master's degree in engineering from Zhejiang University.



Mr. Zuo Dunli, joined the Bank in January 2023, and is currently a non-executive director of the Bank. He served as a secretary of Navigation Management Authority of Mingguang City, a secretary of Chuzhou Shipping Bureau, a secretary of the Water Transport Service Centre of Anhui Province, a secretary, a deputy head of general affairs department, a deputy head of office, a deputy head of office (person-in-charge), a deputy minister of construction management department, a head of chief engineer office of Anhui Provincial Communications Investment Group Co., Ltd. (安徽省交通投資集團有限責任公司), a head of chief engineer office of Anhui Transportation Construction Management Co., Ltd. (安徽省交控建設管理有限公司) (Highway Construction Division), a minister of investment development department, an assistant to general manager and a minister of investment development department, an assistant to general manager and the head of strategic investment department of Anhui Transportation Holding Group Co., Ltd. (安徽省交通控股集團有限公司), and the director of Anhui High-way Real Estate Group Limited (安徽省高速地產集團有限公司). Mr. Zuo currently serves as the chief economist of Anhui Transportation Holding Group Co., Ltd., the chairman of Wanjiang Financial Leasing Co., Ltd. (皖江金融租賃股份有限公司). He holds an Executive Master of Business Administration degree from Tianjin University and is a senior economist.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)



Mr. Gao Yang, joined the Bank in December 2009, and is currently a non-executive director of the Bank. Mr. Gao was the chairman of the board of directors of China Strategic Holdings Limited in Hong Kong, and the chairman of Zhongjing Sihai Co., Ltd. (中靜四海實業有限公司), Guosheng Huaxing Investment Co., Ltd. and Zhongjing Xinhua Asset Investment Management Co., Ltd. He is currently the chairman of Zhongjing Industry (Group) Co., Ltd. and director of WEALTH HONEST LIMITED and Zhongjing Xinhua Asset Investment Management (Hong Kong) Co., Ltd. Mr. Gao studied hotel management at Meindl Vocational School in Vienna from March 1985 to March 1987 as a guest student.



Mr. Wang Wenjin, joined the Bank in December 2018, and is currently a non-executive director of the Bank. Mr. Wang was the general manager of financial management department, the financial controller, the executive vice chairman, the chief financial officer, the chief risk officer, a director and a group partner of China Vanke Co., Ltd. He is currently the chairman of Shenzhen Yingda Investment Fund Management Co., Ltd., a member of Vanke. Mr. Wang, a non-practising member of the Chinese Institute of Certified Public Accountants, obtained a master's degree from Zhongnan University of Economics and Law.



Mr. Zhao Zongren, joined the Bank in October 2014, and is currently a non-executive director of the Bank. His primary working experience includes: director of the office of Jining Branch, president of Qufu Sub-branch, vice president of Jining Branch, and chief of the planning office and the finance planning office of Shandong Branch of China Construction Bank Corporation Limited, deputy general manager of Shandong Branch and general manager of Guangxi Branch of China Cinda Asset Management Co., Ltd., and assistant to the president and chief supervisor of Sunshine Insurance Group Corporation Limited. Mr. Zhao is currently a vice chairman and executive director of Sunshine Insurance Group Corporation Limited. Mr. Zhao, a senior economist, obtained a master's degree from the investment department of Dongbei University of Finance and Economics.



Mr. Dai Peikun, joined the Bank in December 2018, and is currently an independent non-executive director of the Bank. His primary working experience includes: the deputy director (deputy director-level) of industrial economics research division of Anhui Economic and Cultural Research Center, the deputy head, the head, an assistant to the director, the deputy director and an inspector (department level) of the Finance and Trade Economics Division and International Economics Division of the Development Research Center of Anhui Provincial Government. He obtained a master's degree in economics from Peking University.



Ms. Zhou Yana, joined the Bank in August 2018, and is currently an independent non-executive director of the Bank. Ms. Zhou was a lecturer, an associate professor and a professor, and the department head, the vice president, the executive vice president of the School of Economics of Anhui University and the dean of the School of Business Administration of Anhui University, a professor of the School of Business of Anhui University and an independent director of Anhui Gourgen Traffic Construction Co., Ltd. She is currently an independent director of Hefei Urban Construction Development Co., Ltd., Anhui Landun Photoelectron Co., Ltd. and Anhui Transport Consulting & Design Institute Co., Ltd. She obtained a master's degree in accounting from Anhui University.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)



Mr. Liu Zhiqiang, joined the Bank in December 2018, and is currently an independent non-executive director of the Bank. His primary working experience includes: the deputy director and the director of the planning bureau and the statistics and analysis department of the PBOC, and the director of Hong Kong-Macau-Taiwan financial affair office of the PBOC, the deputy head of the economics department of Xinhua News Agency, Hong Kong Branch, the deputy general manager of Guangdong International Trust Investment Corporation, the president of Guangdong Development Bank, the vice president of China CITIC Bank, a director and the vice president of CITIC Holdings Co., Ltd., a director of CITIC Group Corporation, the chairman of CITIC Asset Management Corporation Ltd. and the chairman of CITIC Xinbang Asset Management Corporation Ltd. He obtained a doctorate degree in economics from Zhongnan University of Economics and Law.



Mr. Yin Jianfeng, joined the Bank in December 2018, and is currently an independent non-executive director of the Bank. Mr. Yin was the executive vice president of CEIBS Lujiazui Institute of International Finance, and the deputy director of the Finance Institute of Chinese Academy of Social Sciences. He is currently a professor of the finance department and an instructor of doctorate students (entitled to the “special government allowance” granted by the State Council) at the University of International Business and Economics, the chief economist of China Zheshang Bank Co., Ltd and an independent director of Bank of Wenzhou Co., Ltd. He obtained a doctorate degree in finance from Chinese Academy of Social Sciences.



Ms. Huang Aiming, joined the Bank in January 2019, and is currently an independent non-executive director of the Bank. She had worked for Agricultural Bank of China, Shenzhen Branch and Shenzhen Zhuojun Wangcai Investment Management Co., Ltd. She is currently the president of China International Capital Limited and the chairman of Shenzhen Huichuang Equity Investment Fund Management Co., Ltd. She obtained a master’s degree in economics at the Department of Political Science of Xiamen University and a Finance EMBA degree from Cheung Kong Graduate School of Business.



Mr. Xu Jiabin, joined the Bank in June 2022, and is currently an independent non-executive director of the Bank. Previously, Mr. Xu served as a lecturer, an associate professor and a professor at the School of Business Administration, Renmin University of China, the first batch of members of the National Manufacturing Strategy Advisory Committee, the first batch of expert members of National Industrial Base Expert Committee, and an independent director of Sinotrans Air Transportation Development Co., Ltd. Mr. Xu is currently a professor and a doctoral supervisor at the School of Business, Renmin University of China and an independent director of Inner Mongolia First Machinery Group Co., Ltd. and Jiangsu Haimen Rural Commercial Bank Co., Ltd. He holds a doctorate in industrial economics from Renmin University of China.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Supervisors



Mr. He Jiehua, joined the Bank in March 2019, and is currently an employee supervisor and chairman of the Board of Supervisors of the Bank. He held various positions in the Audit Department of Anhui Province, including the deputy section chief and section chief of the treasury division, the assistant to director (section-chief grade) and deputy director of the finance division, director of the finance and audit division, director of the human resources and education division, and chief of retired cadre office, chief auditor and deputy director-general. He is an executive director of the Bank. He obtained a master's degree in management from Hefei University of Technology. He is a senior auditor and certified public accountant.



Mr. Zhong Qiushi, joined the Bank in January 2002, is currently an employee supervisor and the general manager of the risk management department of the Bank, as well as a director of HSBank Wealth Management Co., Ltd. (徽銀理財有限責任公司). He once served as the vice president of Feixi County Sub-branch, vice president (in charge of operations) and person-in-charge of the credit operation department of Hefei branch of China Construction Bank, president of the Sipailou Branch and the Youth Road Branch of Hefei City Commercial Bank, the general manager of the corporate banking department of the Hefei Branch of the Bank, an assistant to the president of the Huaibei Branch, and the deputy general manager and deputy general manager (in charge of operations) and the general manager of the credit assessment department of the head office, the president of the Bengbu Branch of the Bank and a supervisor of Huishang Bank Financial Leasing Co., Ltd. Mr. Zhong, a senior economist, obtained an Executive Master of Business Administration (EMBA) degree from the University of Science and Technology of China.



Mr. Sun Zhen, joined the Bank in March 1999, and is currently an employee supervisor and the president of Huaibei Branch of the Bank. He held various positions, including an assistant to the president of Huangshan Road Sub-branch of Wuhu City Commercial Bank, the deputy manager and manager of remuneration and benefits management of the Human Resources Department of the Bank, an assistant to the president of Huainan Branch, the vice president of Huainan Branch and the secretary of the discipline inspection committee of Chizhou Branch, the general manager of the Compliance Department of the Head Office of the Bank and a director of Huishang Bank Financial Leasing Co., Ltd. Mr. Sun, a senior economist, obtained a master's degree in business administration from Anhui University.



Mr. Wang Anning, joined the Bank in June 2023, and is currently a shareholder supervisor of the Bank. He served as the chief of comprehensive section and the chief of fiscal and financial audit section of Fanchang County Audit Bureau, the director (deputy section level) of Fanchang County Economic Responsibility Audit Bureau, the deputy director of Fanchang County Finance Bureau, manager of Fanchang County Construction and Investment Company, the director of Fanchang County Development and Reform Commission, and the director of Fanchang District Audit Bureau. He is currently a deputy general manager of Wuhu Construction Investment Co., Ltd. (蕪湖市建設投資有限公司), as well as serves concurrently as an executive director and the general manager of Wuhu Huicheng Squatter Settlement and Construction Co., Ltd. (蕪湖市惠城棚改建設有限公司), the chairman and general manager of Wuhu Binjiang Construction and Development Co., Ltd., (蕪湖市濱江建設發展有限公司) and Wuhu Yuanheng Assets Operation Co., Ltd. (蕪湖遠恒資產運營有限公司), and a director of Wuhu Minqiang Financing Guarantee (Group) Co., Ltd. (蕪湖市民強融資擔保(集團)有限公司), Wuhu Jincai Pawn Co., Ltd. (蕪湖金財典當有限責任公司) and Wuhu Jincai Business Information Consulting Co., Ltd. (蕪湖金財商務信息諮詢有限責任公司). He is a postgraduate from Party School of Anhui Provincial Committee, an auditor and a registered appraiser.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Supervisors (Continued)



Ms. Dong Xiaolin, joined the Bank in November 2018, and is currently an external supervisor of the Bank. Her primary working experience includes: a teaching assistant, a lecturer and an associate professor of Nanjing Agricultural University and an independent director of Jiangsu Gaochun Rural Commercial Bank Co., Ltd., Jiangsu Donghai Rural Commercial Bank Co., Ltd., Jiangsu Lishui Rural Commercial Bank Co., Ltd. and Anhui Langxi Rural Commercial Bank Co., Ltd. She is currently a professor and an instructor of doctorate students in the college of finance in Nanjing Agricultural University, and is concurrently a director of Key Research Base of Philosophy and Society Science in Jiangsu Province, namely, Rural Financial Development Research Center of Jiangsu Province in Nanjing Agricultural University, and she is a member of the Finance Institute of Nanjing City, a member of Expert Committee of Nanjing Finance Promotion Council, an independent director of Nanjing Securities Co., Ltd. and an external supervisor of Wuxi Rural Commercial Bank Co., Ltd. She obtained a doctorate degree majoring in the management of agricultural economy from Nanjing Agricultural University.



Mr. Zhou Zejiang, joined the Bank in June 2020, and is currently an external supervisor of the Bank. He served as an independent director of Anhui Annada Titanium Industry Co., Ltd., Anhui Anke Biotechnology (Group) Co., Ltd., Ankai Automobile Co., Ltd., Wuhu Conch Profiles and Science Co., Ltd., Guoyuan Securities Co., Ltd. and Earth-Panda Advance Magnetic Material Co., Ltd. He is currently the dean and a professor of School of Business, a director of Accounting and Finance Research Center, an instructor of postgraduates in accounting, and an instructor of doctoral students in finance (corporate finance and capital market) of Anhui University, and concurrently a communication evaluation expert of projects under the National Natural Science Foundation of China, the National Philosophy and Social Science Foundation and a member of the review committee of senior accountants of Anhui Province. He also serves as an independent director of Anhui Jiuhuashan Tourism Development Co., Ltd. and Anhui Xinhua Media Co., Ltd. He holds a doctorate degree in Accounting from Xiamen University.



Mr. Han Dongya, joined the Bank in June 2023, and is currently an external supervisor of the Bank. He served as the deputy director of the Ethnic Affairs Commission of Hefei (deputy director of the Religious Affairs Bureau), the deputy head of Feidong County, and the general manager and director of Anhui Public Resources Trading Group. He is currently a researcher of Anhui University, the executive dean of the Research Institute of China (Anhui) Pilot Free Trade Zone, the director of the Digital Economy Research Center, an instructor of postgraduates in enterprise management and an instructor of doctorate students in practical economics of Anhui University and the president of Anhui Digital Economics Association, as well as the vice chairman of China Society of Logistics and an independent president of HF Logistics Group Co., Ltd. He holds a doctorate degree in management from the University of Science and Technology of China.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Senior management



Mr. Kong Qinglong is an executive Director and the President of the Bank. For the details of his biography, please see the “Directors” section of this chapter.



Mr. Zhang Juzhong, joined the Bank in January 2021, and is currently a vice president of the Bank. Mr. Zhang previously served as vice president (in charge of work) of Suixi Road Sub-branch of Hefei Branch of the Bank of China, vice president of Anhui Chaohu Branch of the Bank of China, vice president of Hefei Nancheng Sub-branch of the Bank of China, president of Anhui Suzhou Branch of the Bank of China, general manager of the SMEs Department of Anhui Branch of the Bank of China, president of Anhui Maanshan Branch of the Bank of China. Mr. Zhang, an accountant and a certified public accountant, obtained a bachelor’s degree in economics from Anhui Institute of Finance & Economics (安徽財貿學院).



Mr. Xu Guangcheng, joined the Bank in September 2022, and is currently a vice president of the Bank. Mr. Xu previously served as vice president of Tianchang Sub-branch of Chuzhou Branch of Industrial and Commercial Bank of China (ICBC), the manager of Corporate Business Department and the manager of International Business Department of Chuzhou Branch of the ICBC, the director of Small Enterprise Business Division under the Second Business Division of Anhui Branch of the ICBC, the vice president of Huainan Branch of the ICBC, the vice general manager of Settlement and Cash Management Department of Anhui Branch of the ICBC, the general manager of Credit Card Center of Anhui Branch of the ICBC, the president of Suzhou Branch of the ICBC and the president of Wuhu Branch of the ICBC. Mr. Xu, a senior economist, obtained a bachelor’s degree in economics from Anhui Institute of Finance & Economics (安徽財貿學院).

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Senior management (Continued)



Ms. Huang Xiaoyan, joined the Bank in February 1997, is currently the director of investment and wealth management of the Bank. She previously served as the general manager of the capital operation department of Hefei City Commercial Bank; deputy general manager in charge of the work of the capital operation department of the Bank, general manager of the financial market department, general manager of the asset and liability management department and general manager of the financial market department, general manager of the asset and liability management department, and director of investment and wealth management and general manager of the asset and liability management department of the Bank. Ms. Huang, a senior economist, obtained an executive master of business administration (EMBA) degree from the University of Science and Technology of China.



Ms. Zhou Tong, joined the Bank in February 1997, is currently the director of compliance and risk management of the Bank. She previously served as director of Treasury Securities Services Department and deputy director of the Finance Bureau of Xishi District, Hefei City; president of Meng Cheng Road Sub-branch of Hefei City Commercial Bank; president of Changjiangxi Road Sub-branch of Hefei Branch of the Bank; an assistant to the president, vice president and president of Anqing Branch; general manager of the Compliance Department and an employee supervisor, director of compliance and risk management and general manager of the compliance department of the Bank. She graduated from University of Science and Technology of China with an EMBA degree, and is an accountant and a senior economist.



Mr. Li Dawei, joined the Bank in February 1997 and is currently the financial controller of the Bank. He previously served as an assistant to the president of Hefei Branch of the Bank, deputy general manager of the planning and finance department, deputy general manager (in charge of work) and general manager of the accounting management department of the Bank, general manager of the accounting management department and general manager of the operations management department as well as general manager of the financial accounting department and general manager of the operations management department, financial controller and general manager of the financial accounting department of the Bank. He obtained a bachelor's degree in economics from Shanghai University of Finance and Economics, and is an accountant and a certified public accountant.



Mr. Lian Baohua, joined the Bank in July 2014, and is currently the secretary to the board of the Bank. He previously served as deputy section officer and section officer of the department of industrial economics and an assistant to the director of international economic affairs division of Development Research Center of Anhui Provincial Government; deputy director of the planning committee of Tongling City; director of international economic affairs division and finance division of Development Research Center of Anhui Provincial Government; director of Decision-Making magazine; director and deputy general manager of Anhui BBPA Pharmaceuticals Co., Ltd., general manager of the research and development department, secretary to the board and general manager of the research and development department of the Bank. He obtained a doctorate degree in economics from Nanjing University and is a researcher associate.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Senior management (Continued)



Mr. Liu Fei, joined the Bank in December 2001, and is currently the assistant to president of the Bank. He previously served as deputy officer of accounting division, deputy director of business department and director of planning and financial department of Wuhu Construction Bank; deputy general manager of planning and financial department and general manager of Wuhu Commercial Bank; deputy general manager of human resources department, general manager of financial market department, president of Huainan Branch, general manager of asset and liability management department, the assistant to president of the Bank, the assistant to president of the Bank and the president of Hefei Branch. He obtained a master's degree in economic management from Party School of Anhui Provincial Committee.



Mr. Wang Yong, joined the Bank in September 2002, and is currently the chief information officer and general manager of the System Development Department of the Bank. He previously served as the deputy manager and manager of the Technical Support Department of Xuancheng Branch of ICBC, deputy chief engineer and general manager of the Technology Department of Wuhu City Commercial Bank, deputy general manager and general manager of the Technology and Information Department, general manager of the Information and Technology Department and general manager of the System Development Department, general manager of the System Development Department, general manager of Credit Card Centre and general manager of the System Development Department of the Bank. Mr. Wang, a senior engineer, obtained a master's degree in business administration from Hefei University of Technology.



Mr. Zhang Jianping, joined the Bank in April 2002, and is currently the director of Human Resources and head of the Party Committee Organization Department, and general manager of the Human Resources Department of the Bank. He previously held various positions in Hefei Branch of the Bank, including the vice president (in charge of work) of Lujiang Road Sub-branch, head of Sanxiaokou Sub-branch, vice president (in charge of work) of Sanxiaokou Sub-branch, president of Sanxiaokou Sub-branch, member of the Party Committee and assistant to the president, and member of the Party Committee and vice president. He also served as the deputy minister of the Party Committee Organization Department and deputy general manager of the Human Resources Department, deputy minister (in charge of work) of the Party Committee Organization Department and deputy general manager (in charge of work) of the Human Resources Department, and head of the Party Committee Organization Department and general manager of the Human Resources Department. Mr. Zhang, a senior economist, obtained a master's degree in engineering from Dalian University of Technology.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.4 THE ASSESSMENT INCENTIVE MECHANISM AND ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank provides remunerations to independent directors and external supervisors according to the Proposals on Subsidies to Independent Directors of the Bank and Subsidies to External Supervisors of the Bank, and provides remuneration to executive directors, employee supervisors and senior management according to the “Measures of Huishang Bank on Senior Management’ Remuneration”, the “Measures of Huishang Bank on Performance Appraisal of Senior Management”, and the “Measures of Huishang Bank on Performance Appraisal of Supervisors”.

The non-executive directors and shareholder supervisors do not receive any remuneration from the Bank.

According to the “Performance Appraisal Measures of Huishang Bank on the Board of Directors and Directors”, the “Performance Appraisal Measures of the Board of Supervisors of Huishang Bank on Senior Management and its Members (Amended)”, and the “Performance Appraisal Measures on the Board of Supervisors and Supervisors of Huishang Bank”, the Board of Supervisors of the Bank assesses annually the duties performance by directors, supervisors and the senior management.

Mr. Dai Peikun and Mr. Liu Zhiqiang, independent non-executive directors of the Bank, voluntarily give up the remuneration from the Bank. Other than Mr. Dai Peikun and Mr. Liu Zhiqiang, no director of the Bank gave up or agreed to give up any remuneration from the Bank during the Reporting Period as described in Rule 24A of Appendix D2 to the Hong Kong Listing Rules (former Appendix 16 to the Hong Kong Listing Rules). The details of directors’, supervisors’ and senior management’s remunerations received from the Bank for the year are stated in section 8.1 “Directors, Supervisors and Senior Management” of this annual report. The top five highest paid individuals of the year are listed in Note 13 of the financial statements.

8.5 EMPLOYEES

As of 31 December 2023, the Bank had a total of 11,619 employees in service. Academic distribution: The number of employees with master’s degrees or above was 2,825, accounting for 24.31%. The number of employees with full-time bachelor’s degrees was 5,923, accounting for 50.98%. The number of employees with part-time bachelor’s degrees was 2,449, accounting for 21.08%. The number of employees with junior college degrees or below was 422, accounting for 3.63%. Gender ratio of employees (including senior management members) was 49.55% (5,757) of male employees and 50.45% (5,862) of female employees. The Bank attaches great importance to employee diversity, equally treats employees regardless of age, gender, nationality and education background, and fully guarantees employees to have equal rights in recruitment, position adjustment, training and promotion. The Bank respects diversity in the working place and is committed to creating a professional, inclusive and diversified working environment.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

8.5 EMPLOYEES (CONTINUED)

Staff remuneration policy

The Bank's remuneration policy aims to establish a well-developed, scientific and efficient incentive and control mechanisms to give full play to the orientation of the remuneration in operation and management and risk control, and stimulate stable operation and sustainable development. The Bank sticks to the management strategy which is conducive to the achievement of strategic goals, the enhancement of competitiveness, talent cultivation and risk control, and regards the efficiency as the paramount role while following the principle of fairness. Within the unified framework, the Bank takes advantages of its initiatives and creativity.

The Bank manages remuneration through three levels, namely the Board of Directors, senior management, and head office and branches. The Board of Directors manages the total amount of remuneration and senior management's remuneration. Under the Board's request, the senior management allocates the total amount of remuneration and drafts policy management of all branches. All branches manage employee salary within the scope of unified rules and framework.

The Bank implements the deferred payment and recourse and recovery mechanism for performance-based remuneration of senior management members and personnel in key positions. For employees who violate rules and disciplines or incur significant exposure of risk losses within their responsibilities, the Bank shall deduct, stop payment and recall their performance-related remuneration for the corresponding period according to the severity. During the Reporting Period, the Bank carried out recourse and recovery related to performance-based remuneration and submitted the implementation to the Board of Directors for consideration.

Staff training plan

Focusing on the strategic requirements of "digital transformation" and the business development needs for the year, the Bank conducted annual trainings with different categories at different levels to provide guarantees for staff professionalism enhancement and their career development and growth, and to provide talent guarantees and intellectual support for the comprehensive construction of a high-quality, well-developed modern bank. During the Reporting Period, the Bank organized and provided various training programs and the construction of internal trainer teams by making full use of three training channels, namely, the training center, the online training platform "Huiyin Internet School", and the mobile learning platform "Huiyin Academy". In 2023, the Bank organized a total of 1,240 training programs, of which 241 were conducted by the head office and 999 by branches. The Bank continued to strengthen the leadership of Party building and organized special trainings, organized special training on the study and implementation of the spirit of the 20th National Congress of the CPC, with a total of 107,200 man-times accepting trainings and 66,800 training hours during the Reporting Period. In order to enrich the forms of staff training, the Bank actively carried out online training, holding 264 live streaming online training sessions with 368,800 viewers, a total of 227,300 viewing hours, the average learning hours of 93.77 per person of Zhiniao, and 1,502,400 man-times taking the courses.

Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

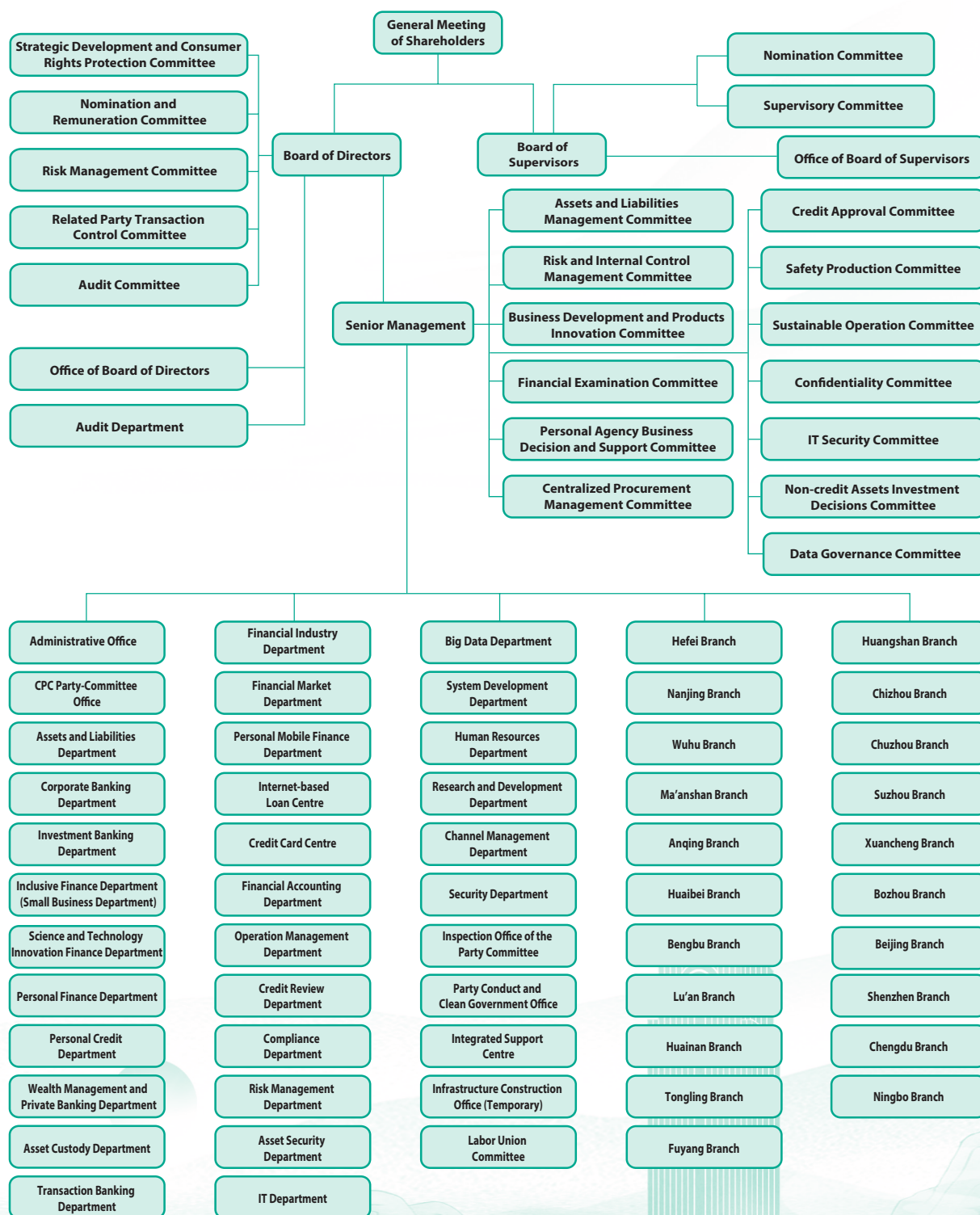
8.6 BRANCHES

As of 31 December 2023, the composition of branches of the Bank is as follows:

Region	Name of the Institution	Address (China)	Post Code	Number of Institution
Head Office	Head Office	Huishang Bank Building, No. 1699 Yungu Road, Hefei	230092	1
Anhui Province	Hefei Branch	No. 626, Huangshan Road, Gaoxin District, Hefei	230001	87
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	38
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	27
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	30
	Huaibei Branch	No. 253, Renmin Zhong Road, Xiangshan District, Huaibei	235000	22
	Bengbu Branch	Floor 2-9, Block B, Financial Center Building, No. 1699 Tushan East Road, Bengbu	233000	26
	Lu'an Branch	No. 31, Meishan Middle Road, Yu'an District, Lu'an	237000	33
	Huainan Branch	Huishang Bank Huainan Branch Office Building, Shungeng West Road, Tianjia'an District, Huainan	232000	22
	Tongling Branch	No.999, Yangjiashan Road, Tongling	244000	15
	Fuyang Branch	Business Office Building #65, Highway Times City, No. 766 Liulin Road, Yingzhou District, Fuyang	236000	29
	Huangshan Branch	No. 2, Tunguang Avenue, Tunxi District, Huangshan	245000	11
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	12
	Chuzhou Branch	No. 95, Longpan Main Road, Chuzhou	239000	18
	Suzhou Branch	No. 238, Shengli West Road, Suzhou	234000	19
	Xuancheng Branch	No. 109, Meiyuan Road, Xuanzhou District, Xuancheng	242000	15
	Bozhou Branch	Xiangzhang Mansion, West Shaohua Road, Qiaocheng, Bozhou	236000	17
Jiangsu Province	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000	12
Beijing	Beijing Branch	Above ground Portion, Building No. 8, Courtyard No. 115 Beisihuan East Road, Chaoyang District, Beijing	100101	10
Guangdong Province	Shenzhen Branch	33-35/F, Building 2, North Central One (Chuangxiang Building), intersection of Mintang Road and Baisong 2nd Road, Longhua District, Shenzhen	518000	11
Sichuan Province	Chengdu Branch	No. 365, Jiaozi Avenue, Hi-tech Zone, Chengdu	910095	16
Zhejiang Province	Ningbo Branch	No. 676, Zhongxing Road, No. 787, No. 799 and No. 809 Baizhang East Road, Yinzhou District, Ningbo	315100	12
Total				483

Chapter IX Corporate Governance Report

9.1 CORPORATE GOVERNANCE STRUCTURE



Chapter IX Corporate Governance Report

9.2 CORPORATE GOVERNANCE PRACTICES

The Bank continuously promotes improvement in the corporate governance mechanism, constantly enhances corporate governance capability and actively endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a comparatively comprehensive corporate governance structure through clarifying the responsibilities of the general meetings of shareholders, the Board of Directors, the Board of Supervisors and senior management, continuously deepened the organic integration of leadership of the Party with the corporate governance, and constantly improving the Bank's decision-making, execution and supervision mechanisms to ensure the independent operation, checks and balances and organic cohesion of various parties.

During the Reporting Period, save as otherwise disclosed in this annual report, the Bank has strictly complied with the code provisions of the Corporate Governance Code and conforms to substantially all of the recommended best practices set forth therein.

The Bank has incorporated the principles set out in the Corporate Governance Code and the Corporate Governance Standards of Banking and Insurance Institutions issued by the former CBIRC into the Bank's governance structure and policies. The general meeting, Board of Directors, Board of Supervisors and senior management of the Bank performed their respective duties, and formed good corporate governance structure. The Bank ensured regulated operation through this governance structure.

The Bank has also strictly complied with the management of insider information required by the relevant laws and regulations and the Hong Kong Listing Rules.

The Bank will continuously review and strengthen its corporate governance practices to ensure compliance with the Corporate Governance Code and meet the higher expectations from the shareholders and investors.

For details about the Bank's basis for generating or retaining value in the long term and its strategies to achieve the Bank's goals, please refer to Chapter V "Management Discussion and Analysis" of this annual report.

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9.2 CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Nomination of directors and Board diversity policy

It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development, support the attainment of its strategic objectives and maintain good corporate governance. In respect of determining the composition of the Board of Directors, the Bank will consider the diversity of the members of the Board in several aspects, including but not limited to gender, age, culture, education background, region, professional experience, skills, knowledge, service term and other regulatory requirements, etc.

The Nomination and Remuneration Committee of the Board is responsible for reviewing the structure, number of members, and composition of the Board of Directors. In addition, the Committee makes recommendations to the Board relating to the size and structure of the Board of Directors based on the Bank's strategic plans, business operations, asset size and shareholding structure. The Committee also discusses and reviews the selection criteria, the nomination and appointment process of relevant directors, and makes recommendations to the Board of Directors for consideration and approval.

The Nomination and Remuneration Committee of the Board shall observe and be responsible for monitoring the implementation of this policy and reviewing this policy as appropriate to ensure its effectiveness. The Nomination and Remuneration Committee will discuss any amendments when necessary and make recommendations to the Board of Directors for implementation upon approval.

This policy was followed by the Nomination and Remuneration Committee when making recommendations on the director candidates and by the Board when nominating director candidates. As of the end of the Reporting Period, the Board of Directors consists of 3 female members and 13 male members, ranging in age from 46 to 71. The directors' residences are located in Hefei, Beijing, Shenzhen, Hong Kong and other places, and occupations include senior managers, university professors, think tank experts and other types. These directors have educational background and professional experiences covering management, economics, finance, accounting and other fields, and fully satisfied the requirements of the diversity of board members in terms of gender, age, region, educational background, professional experiences and other aspects. The Board of the Bank has achieved appropriate gender diversity and the Bank's nomination policy ensures that the Board will maintain the existing gender diversity.

In addition to the Board of Directors level, the Bank also attaches great importance to employee diversity at all levels (including gender diversity). For details on the gender ratio of all employees (including senior management), please refer to Section 8.5 "Employees" in this annual report. Currently, the Bank is not aware of any factors or circumstances that would make achieving gender diversity of employees more challenging or less relevant for the Bank. The Board of Directors believes that the Bank has achieved gender diversity in employees.

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9.3 GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the body of authority of the Bank and shall exercise the following powers in accordance with the laws: (I) to decide on business policies and major investment plans of the Bank; (II) to elect and replace directors and supervisors who are not employee representatives and to decide on matters relating to the remuneration of directors and supervisors; (III) to consider and approve the reports of the Board of Directors; (IV) to consider and approve the reports of the Board of Supervisors; (V) to consider and approve the annual financial budgets and final accounts of the Bank; (VI) to consider and approve the profit distribution plan and loss recovery plan of the Bank; (VII) to adopt resolutions on the increase or reduction of the registered capital of the Bank; (VIII) to adopt resolutions on the issuance and listing of corporate bonds or other negotiable securities; (IX) to adopt resolutions on the merger, division, dissolution, liquidation or change of corporate form of the Bank; (X) to amend the Articles of Association of the Bank and to consider and approve the rules of procedure of the general meeting of shareholders, the rules of procedure of the Board of Directors and the rules of procedure of the Board of Supervisors; (XI) to resolve on the appointment, dismissal or non-reappointment of accounting firms of the Bank; (XII) to consider proposals put forward by shareholders who individually or jointly hold more than 3% of the voting shares of the Bank (the "Proposing Shareholders"); (XIII) to review matters relating to the purchase or disposal of material assets by the Bank within one (1) year exceeding 30% of the latest audited total assets of the Bank; (XIV) to review external guarantees specified in Article 68 of the Articles of Association of the Bank; (XV) to review related transactions which shall be considered and approved by the general meeting of shareholders as stipulated by the laws, administrative regulations, departmental rules, regulatory documents, the regulations of the relevant regulatory authorities and the Articles of Association of the Bank; (XVI) to consider and approve the changes in the use of proceeds; (XVII) to consider the share incentive plan and employee stock ownership plan; (XVIII) to decide on the issuance of preference shares; to decide or authorize the Board to decide on matters relating to the preference shares issued by the Bank, including but not limited to redemption, conversion and distribution of dividends; (XIX) to consider other matters which shall be decided by the general meeting of shareholder as stipulated by the laws, administrative regulations, departmental rules, the regulations of the relevant regulatory authorities and the Articles of Association of the Bank.

During the Reporting Period, the Bank held 3 general meetings of shareholders in total.

On 12 April 2023, the Bank held the 2023 first extraordinary general meeting in Hefei, Anhui Province, at which the following resolutions were considered and approved:

To consider and approve the election of Mr. Kong Qinglong as an executive director of the fourth session of the Board of Directors of the Bank, To consider and approve the issuance of the undated capital bonds.

The notification, convening, holding and voting procedures of the 2023 first extraordinary general meeting of the Bank are in compliance with the Company Law of the PRC, the Articles of Association and the Hong Kong Listing Rules. For the details of attendance, main topics, voting and other related matters of this general meeting, please see the announcement in relation to the poll results of the 2023 first extraordinary general meeting dated 12 April 2023, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

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9.3 GENERAL MEETING OF SHAREHOLDERS (CONTINUED)

On 30 June 2023, the Bank held the 2022 annual general meeting in Hefei, Anhui Province, at which the following resolutions were considered and approved:

To consider and approve the final financial accounts for 2022 of the Bank, To consider and approve the capital expenditure budget for 2023 of the Bank, To consider and approve the profit distribution plan for 2022 of the Bank, To consider and approve the appointment of external auditors of the Bank for 2023, To consider and approve the Work Report of the Board of Directors of the Bank for 2022, To consider and approve the Work Report of the Board of Supervisors of the Bank for 2022, To determine the remuneration standards for former executive director of the Bank for 2020, To determine the remuneration standards for supervisors of the Bank for 2020, To consider and approve the Administrative Measures for the Related Party Transactions of Huishang Bank Corporation Limited (Revised), To consider and approve the election of Mr. Wang Anning as a shareholder supervisor of the fourth session of the Board of Supervisors of the Bank, To consider and approve the election of Mr. Han Dongya as an external supervisor of the fourth session of the Board of Supervisors of the Bank; To consider and approve the resolution on the general mandate for the issuance of shares of the Bank, To consider and approve the resolution on the extension of the validity period of the plan on the initial public offering and listing of A shares of the Bank, To consider and approve the resolution on the extension of the validity period of the authorization of the Board of Directors to deal with specific matters in respect of the A Share Offering, To consider and approve the Articles of Association of the Bank (Revised), To consider and approve the Plan of the Authorizations Granted to the Board of Directors by the Shareholders' General Meeting of Huishang Bank Corporation Limited (Revised).

The notification, convening, holding and voting procedures of the 2022 annual general meeting of the Bank are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For the details of attendance, main topics, voting and other related matters of this general meeting, please see the announcement in relation to the poll results of the 2022 annual general meeting dated 30 June 2023, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

On 15 September 2023, the Bank held the 2023 second extraordinary general meeting in Hefei, Anhui Province, at which the following resolution was considered and approved:

To consider and approve the election of Mr. Wang Zhaohui as a non-executive Director of the fourth session of the Board of the Bank.

The notification, convening, holding and voting procedures of the 2023 second extraordinary general meeting of the Bank are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For the details of attendance, main topics, voting and other related matters of this general meeting, please see the announcement in relation to the poll results of the 2023 second extraordinary general meeting dated 15 September 2023, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

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9.4 THE BOARD OF DIRECTORS

The Board is core to the corporate governance and the independent decision-making body of the Bank, which is responsible for implementing the resolution of the general meetings of shareholders, formulating the Bank's major strategy, policy and development plan, approving the Bank's operation plan, investment plan, formulating the annual financial budget, final accounts and profit distribution plan, appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene in specific matters.

With respect to the establishment of the Board's structure, the Bank makes the Board's decision more scientific and reasonable through the establishment of a diversified board structure, and improves the Board's efficiency in decision-making and operation through the efficient operation of the specialised committees. During the Reporting Period, there were a total of 10 Board meetings convened and 66 resolutions studied and considered. The Board of Directors ensures the rapid, sustainable and sound development of the Bank through the effective management of the strategy, risk, capital, performance-based remuneration, audit and other aspects.

9.4.1 Members of the Board of Directors

The Bank elects its directors based on the qualification requirements and election procedures set out in the Articles of Association. As of the Latest Practicable Date, the Board of Directors consists of 16 directors, including 2 executive Directors, namely Yan Chen (the chairman) and Kong Qinglong; 8 non-executive Directors, namely Ma Lingxiao, Shao Dehui, Wang Zhaohui, Wu Tian, Zuo Dunli, GAO YANG, Wang Wenjin and Zhao Zongren; 6 independent non-executive Directors, namely Dai Peikun, Zhou Yana, Liu Zhiqiang, Yin Jianfeng, Huang Aiming and Xu Jiabin. The number of directors and the composition of the Board are in compliance with relevant laws and regulations. The decision making, authorization and voting procedures and other related matters of the Board strictly follow the relevant rules and regulations of regulatory authorities and the Bank's Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, continuously improved the Board operation mechanism, strengthened the corporate governance framework, facilitated scientific decision making, ensured financial stability and protected the interests of the Bank and its shareholders.

9.4.2 Appointment, re-election and removal of directors

According to the Bank's Articles of Association, directors shall be elected or removed from office by shareholders at a general meeting. The term of office of a director shall be three (3) years. A director (including non-executive directors) may be re-elected and re-appointed upon expiry of his/her term of office, provided that such term of office of independent non-executive directors shall not be more than six (6) years on an accumulative basis. Subject to the relevant laws and administrative regulations, a director whose term of office has not expired may be removed by the general meeting, without prejudice to any claim which may be instituted under any contract.

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9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.2 Appointment, re-election and removal of directors (Continued)

The directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association of the Bank. The Nomination and Remuneration Committee of Board of Directors of the Bank is responsible for discussing and reviewing the qualification and experience of each candidate and recommending the suitable candidates to the Board of Directors. After the approval from the Board of Directors, the selected candidates will be recommended for further approval by the general meeting of shareholders. Except for the independent non-executive directors who have to be treated separately due to the expiration of office, the other new directors will be re-elected by general meeting at the expiration of the term of that Board session, instead of being elected during the first general meeting after his/her appointment.

According to the code provision B.2.2 of the Corporate Governance Code, each director (including directors with a specified term) shall be subject to retirement by rotation at least once every three years. The term of office of the fourth session of the Board of the Bank expired in January 2022 and the current directors shall continue to perform their duties until the completion of the re-election.

9.4.3 Responsibility of directors

During the Reporting Period, all the Bank's directors are earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Bank's directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of Bank's operation with the requirement of laws, administrative regulations and the requirements of economic policies. The Bank's directors have treated all the shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, implemented other diligence obligations prescribed by the laws and administrative regulations, departmental rules and the Articles of Association. The directors confirmed that they are responsible for the preparation of the annual financial report for the year ended 31 December 2023.

The independent non-executive directors of the Bank make full use of their respective professional expertise to provide professional and independent advices on the corporate governance, operation and management of the Bank in various Board committees, including the Strategic Development and Consumer Rights Protection Committee, Nomination and Remuneration Committee, Risk Management Committee, Related Party Transaction Control Committee and Audit Committee, ensuring that scientific decision-making could be made by the Board of Directors. The Bank has a number of mechanisms in place to ensure that the Board has access to independent views and opinions, including maintaining an appropriate Board structure, providing necessary conditions for independent non-executive directors to effectively perform their functions and powers, and obtaining independent opinions from independent non-executive directors on the proposals regarding material related party transactions considered by the Board. The Board considers that the above mechanisms implemented are effective.

The Bank pays attention to the ongoing training of directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities conferred by the relevant laws and regulatory requirements of the National Financial Regulatory Administration, the CSRC, the Hong Kong Stock Exchange and the Articles of Association of the Bank. The Bank has bought the director liability insurance for all directors.

During the Reporting Period, the Bank carried out evaluation of the performance of Board of Directors and directors by the Board of Supervisors, evaluation of the performance of senior management and its members by the Board of Supervisors, evaluation of the performance of supervisors by the Board of Supervisors.

Chapter IX Corporate Governance Report

9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.4 The chairman and president

The roles and duties of the Chairman and President of the Bank are held by different individuals. Their respective responsibilities are clearly defined and comply with requirements of the Hong Kong Listing Rules. As of the Latest Practicable Date, Mr. Yan Chen, the chairman of the Bank, is responsible for leading the Board of Directors, ensuring that all Directors are informed of the current issues within the Board of Directors meeting, and managing the operations of the Board of Directors. To assist the Board of Directors to discuss all important and other related matters in a timely manner, the chairman of the Board fully communicates with senior management to ensure that all directors receive timely, appropriate, complete and reliable information for their consideration and review. Mr. Kong Qinglong is the President of the Bank and is responsible for business operations of the Bank, implementing the Bank's strategies and operation plan.

9.4.5 Summary of the directors attending the general meetings, board meetings and board committee meetings

Directors		General Meeting			Board of Directors ⁽¹⁾	Committees under the Board of Directors				
		Attendance of 2023 first extraordinary general meeting	Attendance of 2022 annual general meeting	Attendance of 2023 first extraordinary general meeting	Strategic Development and Consumer Rights Protection Committee	Nomination and Remuneration Committee	Risk Management Committee	Related Party Transaction Control Committee	Audit Committee	
Actual attendance/Required attendance										
Executive Directors	Yan Chen	✓	✓	✓	9/10 ⁽²⁾	5/6 ⁽²⁾	5/5	5/5		
	Kong Qinglong ⁽⁴⁾			✓	4/5 ⁽²⁾	2/2	2/2		2/2	
Non-executive Directors	Ma Lingxiao		✓		10/10	5/6 ⁽²⁾				
	Shao Dehui				8/10 ⁽²⁾	4/6 ⁽²⁾		4/5 ⁽²⁾		
	Wang Zhaohui ⁽⁵⁾				1/1	0/0 ⁽³⁾				
	Wu Tian				9/10 ⁽²⁾	5/6 ⁽²⁾		5/5		
	Zuo Dunli	✓			10/10	3/5 ⁽²⁾		3/5 ⁽²⁾		3/3
	GAO YANG		✓		7/10 ⁽³⁾	1/6 ⁽³⁾	2/5 ⁽³⁾			
	Wang Wenjin				9/10 ⁽²⁾		4/5 ⁽²⁾			3/3
	Zhao Zongren				10/10	5/6 ⁽²⁾			5/6 ⁽²⁾	
Independent Non-executive Directors	Dai Peikun	✓	✓	✓	10/10		5/5			3/3
	Zhou Yana				10/10		5/5			3/3
	Liu Zhiqiang				10/10			4/5 ⁽²⁾	5/6 ⁽²⁾	
	Yin Jianfeng				10/10	5/6 ⁽²⁾	4/5 ⁽²⁾		5/6 ⁽²⁾	
	Huang Aiming				10/10		5/5		6/6	3/3
	Xu Jibin				10/10		5/5	5/5		
	Former Non-executive Director	Wang Zhaoyuan ⁽⁴⁾				4/5	2/4 ⁽²⁾			

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9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.5 Summary of the directors attending the general meetings, board meetings and board committee meetings (Continued)

Notes:

- (1) During the Reporting Period, the Bank held 10 Board meetings in total, of which 4 regular Board meetings were held in total, once a quarter. The notification, convening, holding and voting procedures of the Board meetings of the Bank are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules.
- (2) If the actual attendance is lower than required attendance, it represents the proxy attendance when the above directors are absented from Board meeting in person.
- (3) If the actual attendance is less than required attendance, it means the director is absented from Board meeting. In particular, Mr. GAO YANG was absented from 3 Board meetings, 5 Strategic Development and Consumer Rights Protection Committee meetings and 3 Nomination and Remuneration Committee meetings.
- (4) For details of the changes in the positions held by Mr. Kong Qinglong, Mr. Wang Zhaohui and Mr. Wang Zhaoyuan, please refer to Section 8.2 “Changes in Directors, Supervisors and Senior Management of the Bank” in this annual report.
- (5) Mr. Wang Zhaohui was appointed as a new member of the Strategic Development and Consumer Rights Protection Committee under the fourth session of the Board on 20 December 2023. The Strategic Development and Consumer Rights Protection Committee under the Board held no meeting from 20 December 2023 to the end of the Reporting Period.

9.4.6 Securities transaction by directors, supervisors and senior management

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules (former Appendix 10 to the Hong Kong Listing Rules) as its codes of conduct regulating securities transactions by the directors, the supervisors and the related employees (having the same meaning as defined in Corporate Governance Code) of the Bank. Having made specific enquiry of all directors, supervisors and the staff of senior management, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

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9.4 THE BOARD OF DIRECTORS (CONTINUED)

9.4.7 Performance of the independent non-executive directors

The Bank's Board of Directors currently has 6 independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the National Financial Regulatory Administration and the Hong Kong Listing Rules. The 6 independent non-executive directors of the Bank are not involved in any conflict with the independence issue described in the Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive director the annual independence confirmation in accordance with the Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all the independent non-executive directors complied with the Hong Kong Listing Rules in respect of their independence. During the Reporting Period, independent non-executive directors represent the majority of the Bank's Audit Committee, Nomination and Remuneration Committee and Related Party Transaction Control Committee under the Board and serve as chairman of these committees. During the Reporting Period, the independent non-executive directors of the Bank kept in touch with the Bank through various means such as attending the meetings and symposiums. They earnestly participated in meetings of the Board of Directors and the Board committees and actively gave their opinions and emphasized on the interests of minority shareholders. The independent non-executive directors have fully discharged their responsibilities. During the Reporting Period, the Bank's independent non-executive directors issued independent opinions on the Bank's related party transactions.

9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS

The Bank's Board of Directors has delegated some of its responsibilities to the different Board committees. The Bank has set up 5 specialised committees under the Board, namely the Strategic Development and Consumer Rights Protection Committee, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Related Party Transaction Control Committee in accordance with the relevant PRC laws, regulations, the Bank's Articles of Association and the Hong Kong Listing Rules.

During the Reporting Period, the Board committees of the Bank exercised their respective authorities and powers in an independent, standardized and effective manner. In 2023, they held a total of 25 meetings, at which 86 resolutions that are significant to the sustainable development of the Bank and improvement of corporate governance, were studied and considered, improving the efficiency and scientific decision-making ability of the Board while promoting the sound development of the businesses of the Bank. Furthermore, in accordance with regulatory requirements, the Bank revised the working rules of Board committees such as the Strategic Development and Consumer Rights Protection Committee, Nomination and Remuneration Committee and Related Party Transaction Control Committee to further regulate the working procedures of relevant specialised committees.

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.1 Strategic Development and Consumer Rights Protection Committee

As of the end of the Reporting Period, our Strategic Development and Consumer Rights Protection Committee consists of 2 executive directors, namely Mr. Yan Chen and Mr. Kong Qinglong; 7 non-executive directors, namely Mr. Ma Lingxiao, Ms. Shao Dehui, Mr. Wang Zhaohui, Mr. Wu Tian, Mr. Zuo Dunli, Mr. Gao Yang and Mr. Zhao Zongren; and 1 independent non-executive director, namely Mr. Yin Jianfeng. Mr. Yan Chen is the chairman of the committee.

The principal responsibilities of the Strategic Development and Consumer Rights Protection Committee include: (I) formulating operational and management goals, medium to long-term development strategy and listing plans of the Bank and making recommendations to the Board; (II) reviewing the strategic capital allocation and management objectives of assets and liabilities and making recommendations to the Board; (III) preparing plans for the overall development of various financial businesses and making recommendations to the Board; (IV) reviewing strategic development plans for human resources and making recommendations to the Board; (V) supervising and examining the implementation of annual operating plans and investment proposals; (VI) reviewing annual financial budgets and final reports and making recommendations to the Board; (VII) considering plans for significant institutional restructuring and re-organization and making recommendations to the Board; (VIII) reviewing the design of significant investment and financing plans and relevant proposals submitted by the senior management, and making recommendations to the Board; (IX) reviewing the design of merger and acquisition plans and relevant proposals submitted by the senior management, and making recommendations to the Board; (X) reviewing plans for information technology development and other special strategic development plans and making recommendations to the Board; (XI) supervising and evaluating the implementation of green finance development strategy and making recommendations to the Board; (XII) reviewing and evaluating the effectiveness of corporate governance structure so as to ensure that the financial reporting, risk management and internal control meet our standards for corporate governance; (XIII) formulating the strategy, policy and objective for protection of consumer rights and interests across the whole Bank, and making recommendations to the Board; (XIV) reviewing the organizational structure and operating mechanism of works on protection of consumer rights and interests across the whole Bank, as well as the internal control system, and making recommendations to the Board; (XV) guiding the senior management in conducting works on protection of consumer rights and interests from the perspective of overall planning, supervising and evaluating the comprehensiveness, promptness and effectiveness of the works on protection of consumer rights and interests across the whole Bank and relevant duty performance of senior management, listening to special reports of senior management in respect of the progress of works on protection of consumer rights and interests on regular basis, and treating relevant works as an important part of information disclosure; (XVI) other issues as required by law, regulation and other regulatory documents; and (XVII) other issues authorized by the Board.

During the Reporting Period, our Strategic Development and Consumer Rights Protection Committee held 6 meetings in total, at which resolutions on the annual final financial report, annual financial budget plan and annual general business operation plan, etc. were considered and approved.

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.2 Nomination and Remuneration Committee

As of the end of the Reporting Period, our Nomination and Remuneration Committee consists of 2 executive directors, namely Mr. Yan Chen and Mr. Kong Qinglong; 2 non-executive directors, namely Mr. Gao Yang and Mr. Wang Wenjin; and 5 independent non-executive directors, namely Mr. Dai Peikun, Ms. Zhou Yana, Mr. Yin Jianfeng, Ms. Huang Aiming and Mr. Xu Jiabin. Mr. Dai Peikun is the chairman of the committee.

The principal responsibilities of the Nomination and Remuneration Committee include:

(I) determining the selection and appointment process and standard of directors and senior managements, and making recommendations to the Board; (II) preliminarily reviewing the qualifications of candidates for directors and candidates for senior management, and making recommendations to the Board; (III) making recommendations to the Board on the structure, number, size and composition (including the skills, knowledge and experience) of the Board based on our business operation, asset scale and shareholding structure; (IV) identifying candidates with suitable qualifications to serve as directors and senior management, and establishing a mechanism for key talents pool; (V) evaluating the independence of independent directors; (VI) developing appraisal criteria for directors and senior management, organizing performance appraisals for directors and senior management on a regular basis, and submitting the appraisal results to the Board; (VII) reviewing the basic remuneration system of all employees of the Bank, preparing the appraisal and remuneration proposals for directors and senior management, making recommendations to the Board, and monitoring the implementation of such plans; (VIII) making recommendations to the Board on the remuneration package of executive directors and senior management; (IX) reviewing compensation payable to executive directors and senior management for any loss or termination of office or appointment, and making recommendations to the Board; (X) reviewing compensation arrangements relating to dismissal or removal of directors for misconduct, and making recommendations to the Board; (XI) ensuring that no director or any of his or her associates (defined under the Hong Kong Listing Rules) is involved in deciding his or her own job fulfillment assessment and remuneration except for the self-assessment on job fulfillment; (XII) other issues as required by law, regulation and other regulatory documents; and (XIII) other issues authorized by the Board.

During the Reporting Period, our Nomination and Remuneration Committee held 5 meetings in total, at which resolutions on the performance report of directors and senior management by the Board, the annual performance results of executive directors and senior management, the recovery of performance-based remuneration in 2022, the proposal of Senior Management' performance in 2023, and review of candidates' qualifications for directors, etc. were considered and approved.

9.5.3 Risk Management Committee

As of the end of the Reporting Period, our Risk Management Committee consists of 1 executive director, namely Mr. Yan Chen; 3 non-executive directors, namely Ms. Shao Dehui, Mr. Wu Tian and Mr. Zuo Dunli; and 2 independent non-executive directors, namely Mr. Liu Zhiqiang and Mr. Xu Jiabin. Mr. Yan Chen is the chairman of the committee.

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.3 Risk Management Committee (Continued)

The principal responsibilities of the Risk Management Committee include: (I) reviewing our risk management policies to ensure they are in line with our overall strategy, supervising and evaluating their implementation and effectiveness, and making recommendations to the Board. Risk management policies include but are not limited to: 1. risk scope intended or confined to involve by the Bank; 2. risk limitations and overall risk tolerance standard, including market risks, credit risks, liquidity risks, operation risks, compliance risks and reputation risks, etc.; 3. risk management skills intended to adopt by the Bank; 4. procedures and standards of risk authorization of the Bank. (II) providing guidance on establishing our risk management systems; (III) supervising and evaluating the establishment, organizational structure, working procedures and effects of the risk management department, and making suggestions for improvement; (IV) considering our risk report, conducting regular assessments on risk policy, management status and risk tolerance of the Bank, and making suggestions on improving our risk management and internal control; (V) supervising and assessing the risk control by our senior management in respect of credit, market and operation risks; (VI) examining and approving significant risk management matters or transaction items that are beyond the license rights of the president or submitted by the president to the Risk Management Committee for consideration, in accordance with the authorization of the Board; (VII) other issues as required by law, regulation and other regulatory documents; and (VIII) other issues authorized by the Board.

During the Reporting Period, our Risk Management Committee held 5 meetings in total, at which issues related to comprehensive risk management report, asset quality analysis report, compliance risk management report and liquidity stress testing report, etc. were studied.

9.5.4 Related Party Transaction Control Committee

As of the end of the Reporting Period, our Related Party Transaction Control Committee consists of 1 executive director, namely Mr. Kong Qinglong, 1 non-executive director, namely Mr. Zhao Zongren, 3 independent non-executive directors, namely Ms. Huang Aiming, Mr. Liu Zhiqiang, and Mr. Yin Jianfeng. Ms. Huang Aiming is the chairwoman of the committee.

The principal responsibilities of the Related Party Transaction Control Committee include: (I) identifying related parties, related party relationships and related party transactions, and controlling risks of related party transactions, timely making announcement on related parties recognized; (II) identifying and reviewing significant related party transactions and submitting the same to the Board for consideration; (III) recording common related party transactions; (IV) formulating our rules for the management of related party transactions, submitting to the Board for consideration and supervising its implementation; (V) submitting to the Board, upon completion of each year, a detailed report on the implementation of related party transaction management system of the Bank for the year and our related party transactions (including overall status, risk analysis and structure) that occurred in the year shall be submitted to the Board; (VI) law, administrative regulations, department regulations and other regulatory documents, and other issues as required by securities supervision authority on which the shares of the Bank listed or as authorized by the Board.

During the Reporting Period, our Related Party Transaction Control Committee held 6 meetings in total, at which it considered resolutions including business plans related to ordinary related party transactions, significant related party transactions and status report, etc. of the related party transactions.

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9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

9.5.5 Audit Committee

As of the end of the Reporting Period, our Audit Committee consists of 2 non-executive directors, namely Mr. Zuo Dunli and Mr. Wang Wenjin; and 3 independent non-executive directors, namely Ms. Zhou Yana, Mr. Dai Peikun and Ms. Huang Aiming. Ms. Zhou Yana is the chairwoman of the committee.

The principal responsibilities of the Audit Committee include: (I) examining our financial statements, annual report and accounting records, interim report and quarterly reports (if drafted for publication), reviewing significant opinion on financial reporting contained in accounting statements and financial reports and other information related to our business operation, and conducting an audit on our operating efficiency, profit distribution and capital utilization; (II) checking the letter of recommendations for management (or any equivalent document) given by an external auditor to the senior management and ensuring that the Board responds to it in a timely manner, and reviewing any major questions raised by the external auditor to the senior management with respect to our accounting records, financial accounts or monitoring system, and any responses given by the senior management; (III) reviewing our disclosure made at the general meeting and to the public, and verifying the truthfulness, legality, completeness, and accuracy of our financial reports, capital utilization reports and major events; (IV) reviewing our internal control and financial control systems, and auditing our significant related party transactions, monitoring the implementation of our risk management system and its compliance, discussing the internal control system with the senior management and reporting it to the Board. Reviewing major investigation findings on matters relating to the internal control system as delegated by the Board or on its own initiative and the senior management's response to these findings; (V) overseeing the implementation of our internal audit system; (VI) organizing and guiding the internal audit under the authorization of the Board; (VII) taking in charge of our annual audit, making recommendations to the Board on the appointment, reappointment or removal of the external auditor, and preparing reports confirming the truthfulness, accuracy, completeness and timeliness of information contained in the audited financial statements based on its own judgment, and submitting them to the Board for discussion and consideration. The Audit Committee should require the appointed external auditor to give an explanation on their services provided, terms of appointment, fees charged and other relationships and matters that may affect the independence of such external auditor, make an evaluation on the independence of external auditor and submit it to the Board for approval. The Audit Committee should deal with any issue related to the resignation or removal of the external auditor; (VIII) reviewing our financial and accounting policies and practice; (IX) taking charge of the communication and coordination between the internal auditor and external auditor, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Bank; (X) evaluating the mechanisms for our employees to make whistle blowing on financial statements, internal control or other irregularities, and conducting independent and fair investigations on matters relating to whistle blowing by us, and adopting any mechanism for appropriate actions; (XI) other issues as required by law, regulation and other regulatory documents; (XII) other issues authorized by the Board.

During the Reporting Period, our Audit Committee held 3 meetings in total, at which it considered resolutions on the 2022 annual report, the 2022 annual profit distribution plan, the 2023 interim report, appointment of external auditors, the 2023 audit plan, etc. The Audit Committee reviewed the 2022 annual report and the 2023 interim report, discussed the key accounting policies, accounting estimates and internal control with the senior management. Besides, it also communicated with the external auditors and the senior management regarding the audit opinion and suggestions for internal control as proposed by the external auditors, reviewed and approved the 2022 annual report and the 2023 interim report of the Bank and then submitted them to the Board for consideration.

Chapter IX Corporate Governance Report

9.6 CORPORATE GOVERNANCE FUNCTION

During the Reporting Period, the Board of Directors took the responsibilities of corporate governance, which include:

revising and improving rules and regulations related to the Bank's corporate governance, and making necessary revisions to ensure the effectiveness of the policy; supervising the training of directors and senior management and their sustained performance; supervising the policies and practice of the Bank with respect to the compliance with laws and regulations; supervising the code of conduct and compliance manual applicable to directors and employees; reviewing the Bank's compliance with the Corporate Governance Code and the disclosures set out in the Corporate Governance Report.

9.7 SENIOR MANAGEMENT

The Bank shall have one president and may have several vice presidents and other members of senior management identified by the regulatory authorities. They shall be appointed or dismissed by the Board of Directors. The president shall be accountable to the Board of Directors.

The major functions and powers performed and exercised by the president of the Bank include: take charge of the daily operation and management of the Bank, organize the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors; submit annual business plans and investment proposals to the Board of Directors and organize the implementation upon approval by the Board of Directors; draft proposals on the establishment of the Bank's internal management entities; draft the Bank's basic management system; formulate the Bank's specific regulations; propose to the Board of Directors to engage or dismiss the vice presidents of the Bank and other members of senior management identified by the regulatory authorities; engage or dismiss persons in charge of the internal departments and branches of the Bank other than those to be engaged or dismissed by the Board of Directors; authorize members of senior management and persons in charge of internal departments and branches to conduct operational activities; draw up the Bank's proposals on annual financial budgets and final accounts, profit distribution plan and loss remedial plan, increase or reduction of registered capital, issue and listing of bonds or negotiable securities, and put forward the proposals to the Board of Directors; review and approve general related transactions; decide on the appointment and dismissal of the Bank's staff, and approve proposals on their wages, benefits, rewards and punishment; formulate plans on emergency treatment and risk prevention; adopt emergency measures when any major emergency arises and promptly report them to the Board of Directors, the Board of Supervisors and the banking regulatory authority; and other powers and rights conferred by the laws, administrative regulations, departmental rules, the regulations of the relevant regulatory authorities, the Articles of Association and by the Board of Directors.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS

The Board of Supervisors, our supervisory body, aims to guarantee the legitimate interests of the Bank, shareholders, employees, creditors and other stakeholders and has the obligation to oversee our financial activities, risk management and internal control, discharge of duties by the Board, Directors and the senior management and its members, and is accountable to the general meeting of shareholders.

9.8.1 Composition of the Board of Supervisors

As of the Latest Practicable Date, our Board of Supervisors consisted of 7 supervisors, of whom 3 are employee supervisors, 1 is shareholder supervisor and 3 are external supervisors. The proportion of employee supervisors and external supervisors at the Board of Supervisors meets the regulatory requirements. The supervisors of the Bank are sufficiently professional and independent to ensure that the Board of Supervisors effectively performs its supervisory role. The term of office of the fourth session of the Board of Supervisors of the Bank expired in December 2021 and the current supervisors shall continue to perform their duties until the completion of the re-election. For the biographical details of members of the Board of Supervisors, please see “Profile of Directors, Supervisors and Senior Management” under section 8.3 of this annual report.

During the Reporting Period, the Board of Supervisors fulfilled its duties diligently, supervised the legal compliance of performance of duties by directors and the senior management. They also performed resignation audit to the executive directors and the senior management as required. They audited and supervised the financial activities, risk management and internal control and investigated any abnormal operating activities.

9.8.2 Responsibilities and operating model of the Board of Supervisors

The principal responsibilities of our Board of Supervisors include: reviewing periodic reports of the Bank prepared by the Board and providing written review opinions; supervising the discharge of duties by the Board of Directors and the senior management; monitoring the due diligence of directors and the senior management and their violation of laws, administrative regulations as well as the Articles of Association when discharging their duties; conducting resignation audits of our executive directors and the senior management when necessary; requesting directors and the senior management to rectify any acts that are detrimental to the interest of the Bank; examining and supervising financial activities of the Bank; supervising and examining our capital management, business decision-making, risk management and internal control and monitoring rectification of the deficiencies; proposing to remove, or instituting proceedings according to law, against directors and the senior management who are in violation of laws, administrative regulations or the Articles of Association or any resolutions adopted by shareholders’ general meetings; proposing for an extraordinary meeting of shareholders; convening and presiding over shareholders’ general meetings when the Board of Directors fails to perform its duties in accordance with the Company Law; putting forward proposals to shareholders’ general meetings; proposing for an extraordinary meeting of the Board; reviewing the financial report, business report and profit distribution plans and other financial information submitted to shareholders’ general meetings. The Board of Supervisors may conduct investigation when any question or abnormal operation of the Bank is identified; it may, at the expenses of the Bank, hire an accounting firm, law firm or other professional personnel to assist its investigation when necessary; making remuneration arrangement of supervisors; other functions and powers granted by laws, administrative regulations, departmental rules, relevant regulators and the Articles of Association, as well as the shareholders’ general meetings.

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9.8 BOARD OF SUPERVISORS (CONTINUED)

9.8.2 Responsibilities and operating model of the Board of Supervisors (Continued)

Our Board of Supervisors fulfils their supervisory responsibilities mainly in the following manners: convening regular supervisor meetings, attending shareholders' general meetings, attending the Board meetings and some Board committee meetings, attending the relevant meetings of the senior management, reviewing various kinds of documents and materials from the senior management, listening to work report and project report of the senior management, evaluating the annual performance of directors and the senior management, conducting resignation audits of our executive directors and the senior management, conducting supervision and inspection of or research on the operation and management of the Bank and its subsidiary institutions. Through the above work, the Board of Supervisors monitors and evaluates our operation and management, risk management and internal control, as well as the performance of directors and the senior management.

During the Reporting Period, the Board of Supervisors assessed the annual performance of the Board of Directors, directors, the senior management and its members and supervisors of the Bank, organized and convened a symposium with shareholder representatives and certain branches and conducted on-site evaluations, extensively solicited the evaluation opinions of the heads of the head office, heads of branches and sub-branch offices. Based on the foregoing, the Board of Supervisors prepared a performance evaluation report for the Board of Directors and the senior management as well as relevant banking regulatory bodies.

9.8.3 Meetings of the Board of Supervisors during the Reporting Period

During the Reporting Period, the Board of Supervisors duly fulfilled its duties under the Articles of Association of the Bank and held 8 meetings, including 4 physical meetings and 4 meetings by way of circulating written documents, at which 40 resolutions in relation to annual reports, profit distribution plans, performance of duties report, comprehensive risk management and protection of consumers' rights and interests, etc. were considered, and 42 special reports on annual business plans, capital replenishment plans, liability quality management, asset quality, related party transactions, reputation risk, case prevention and control and evaluation of employees' behavior, etc. were reviewed.

During the Reporting Period, there was no objection to the matters concerning the supervision of the Board of Supervisors.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS (CONTINUED)

9.8.3 Meetings of the Board of Supervisors during the Reporting Period (Continued)

The attendance of supervisors at meetings of the Board of Supervisors during the Reporting Period

	Supervisors	No. of Required Attendance	Attendance in Person	Attendance through Proxy
Employee Supervisor	He Jiehua	8	8	0
	Zhong Qiushi	8	7	1
	Sun Zhen	8	7	1
Shareholder Supervisor	Wang Anning	4	4	0
External Supervisor	Dong Xiaolin	8	8	0
	Zhou Zejiang	8	8	0
	Han Dongya	4	4	0
Former Employee Supervisor	Tang Chuan	1	1	0
Former Shareholder Supervisor	Chen Rui	8	8	0
Former External Supervisor	Zhai Shengbao	4	3	1

9.8.4 Attendance at the general meetings during the Reporting Period

During the Reporting Period, the Board of Supervisors designated representatives to attend the general meeting of the Bank. The Board of Supervisors presented its annual report on work and results of performance appraisal of the Board of Directors, directors, Supervisors, senior management and its members, and relevant resolutions were approved at the shareholders' general meeting.

9.8.5 Attendance at the meetings of the Board and the senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend on-site meetings of the Board of Directors of the Bank, and supervised legal compliance of the meetings, procedures of voting, as well as the attendance, speech and voting of directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised the execution of Board resolutions by the senior management and the operating management activities conducted according to the Articles of Association and the authorization by the Board of Directors.

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9.8 BOARD OF SUPERVISORS (CONTINUED)

9.8.6 Operation of the committees of the Board of Supervisors

The Board of Supervisors has a Nomination Committee and a Supervisory Committee. As of the Latest Practicable Date, compositions of the Board of Supervisors of the Bank were as follows:

No.	Committees of the Board of Supervisors	Chairman	Members
1	Nomination Committee	Dong Xiaolin	He Jiehua, Zhou Zejiang, Wang Anning
2	Supervisory Committee	Han Dongya	He Jiehua, Zhong Qiushi, Sun Zhen

Nomination Committee of the Board of Supervisors

The principal responsibilities of the Nomination Committee include: formulating the selection standards and procedures of supervisors, and making recommendations to the Board of Supervisors; preliminarily reviewing the qualifications and conditions of candidates for supervisors and making recommendations to the Board of Supervisors; improving market-oriented selection and appointment mechanism, and making reservation of candidates for supervisors; conducting a comprehensive assessment and evaluation of duties performance of directors and senior management, and reporting it to the Board of Supervisors; supervising the process of election and appointment of directors; supervising the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration proposal for its senior management; determining the remuneration standards for supervisors and subsidy standards for external supervisors, and making recommendations to the Board of Supervisors in respect thereof; establishing and improving the incentive and control system, conducting an assessment and evaluation of duties performance of supervisors, and making recommendations to the Board of Supervisors in respect thereof; ensuring that supervisors shall not participate in the decision-making process in connection with the evaluation of their duties performance and remuneration (or subsidies), save for the self-assessment in the evaluation of duties performance; other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of 3 meetings during the Reporting Period, at which 11 resolutions were considered and approved.

Supervisory Committee of the Board of Supervisors

The principal responsibilities of the Supervisory Committee include: formulating plans for supervision of duties performance of Board of Directors and the senior management of the Bank, and supervising the adoption by the Board of Directors of prudent business philosophy, value standards and formulating development strategies that are in line with the actual situations of the Bank; formulating plans for supervision of the due diligence of directors and the senior management of the Bank; formulating plans for resignation audits of executive directors and the senior management of the Bank; formulating plans for the inspection and supervision of financial activities of the Bank; formulating plans for supervision and inspection of the business decision-making, risk management and internal control of the Bank; formulating plans for assessing the scientificity, reasonableness and effectiveness of development strategies set by the Board of Directors; taking charge of the organization and implementation of the above plans; other matters authorized by the Board of Supervisors.

During the Reporting Period, the Supervisory Committee held 7 meetings in total, at which 26 resolutions were considered.

Chapter IX Corporate Governance Report

9.8 BOARD OF SUPERVISORS (CONTINUED)

9.8.7 External supervisors work report

Chairman of the Board of Supervisors committees are served by external supervisors, which strengthens the role of external supervisors in performance assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the management quality and governance structure of the Bank.

In 2023, external supervisors can exercise the independent supervision function. In performing their duties, the external supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the Board of Supervisors, convening meetings of the specialised committees under the Board of Supervisors, being present at the general meetings and Board meetings, participating in regulatory consultations, special research or supervision and inspection by the Board of Supervisors. Meanwhile, external supervisors carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of the sustainable development of the Bank and protection of all parties' interests, carefully and objectively gave independent opinions, and fulfilled the responsibilities of external supervisors according to laws.

9.9 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Training and research of directors

Some directors took part in trainings provided by Clifford Chance in January, June and December 2023 respectively, involving corporate governance, information disclosure and regulatory summary of Hong Kong listed companies, and took part in an online training on anti-corruption in December.

All directors have participated in part of abovementioned trainings during the Reporting Period.

Investigation, research and training of the Board of Supervisors

During the Reporting Period, the Board of Supervisors selected the Group's customer management and comprehensive services as the entry point, carried out a special survey on the Group's customer management by interviewing the departments at head office and branches and subsidiaries, and put forward suggestions with reference to the good practices of the industry. Focusing on promoting sound outsourcing management mechanisms and enhancing the efficiency of outsourcing activities, the Board of Supervisors carried out special supervision and inspection of the Bank's business outsourcing management. Through discussions and exchanges with head office and branches and on-site checks on some branches and third-party institutions, and industry research, the Board of Supervisors comprehensively prepared a special inspection report by sorting out relevant issues, and put forward specific suggestions. The research and inspection work continued to consolidate and deepen, thereby consistently enhancing supervision efficiency.

During the Reporting Period, all supervisors participated in the on-site training of "Relevant Laws and Regulations on Corporate Governance", thus having continuously improved the pertinence and effectiveness of the Board of Supervisors' supervision.

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9.10 COMPANY SECRETARY UNDER HONG KONG LISTING RULES

Dr. Ngai Wai Fung is the Bank's company secretary under the Hong Kong Listing Rules. Dr. Ngai Wai Fung is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Dr. Ngai took part in relevant professional trainings for no less than 15 hours during the Reporting Period. Mr. Lian Baohua, secretary to the Board of the Bank, was the primary contact of Dr. Ngai during the Reporting Period.

9.11 COMMUNICATION WITH SHAREHOLDERS

Investors relationship

We place great importance to the Bank's shareholders' opinions and suggestions. We actively take part in all kinds of communication activities with investors and analysts in order to maintain a good relationship, and meet reasonable requirements by the shareholders in a timely manner. The Bank has established communication channels for investors, including telephone, email and mailing address, to continuously keep the channels smooth, transmit regulatory requirements, listen to suggestions and opinions from stakeholders, and protect the information right of investors and stakeholders. During the Reporting Period, the Bank has reviewed the implementation and effectiveness of its shareholder communication policy and believes that investor communication was smooth and effective.

For investors inquiries, please contact the Board of Directors at:

The Office of the Board of Directors of Huishang Bank Corporation Limited
Huishang Bank Building, No. 1699 Yungu Road, Hefei, Anhui Province, PRC
Telephone: +86-551-62667806/65195721
Fax: +86-551-62667661
E-mail: 96588@hsbank.com.cn

Investors can read this annual report from our website (www.hsbank.com.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Information disclosure

The Board of Directors and senior management of the Bank place great importance to the information disclosure. They rely on good corporate governance and sound internal control to provide timely, accurate and fair information for the investors. During the Reporting Period, no insider dealing of the Bank's shares was identified.

In accordance with the requirements of the Corporate Governance Standards of Banking and Insurance Institutions, Measures for the Information Disclosure of Commercial Banks and other laws and regulations, the Bank carries out information disclosure in accordance with the laws and regulations, continuously improved the timeliness, accuracy and completeness of the information disclosure. During the Reporting Period, the full texts of the annual report and interim report in both English and Chinese are available on the website of the Bank. Meanwhile, the Chinese and English versions of the annual report and interim report are available for review by the investors and stakeholders in the Board of Directors' office of the Bank.

Chapter IX Corporate Governance Report

9.12 SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings

When individual or joint shareholders of the Bank who have more than 10% of the total voting right present a written request, the Board of Directors shall hold an extraordinary general meeting within 2 months from the date of the request:

The shareholders who presented such requests shall put forward proposals to the Board in writing. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association of the Bank, give a written feedback expressing an opinion of agreements or disagreements with the convening of an extraordinary general meeting or a class shareholders' meeting within 10 days from the date of receiving the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting or class shareholders' meeting, it should issue a notice to call for a shareholders' general meeting within 5 days from the date on which the relevant Board resolution is made. Any amendments to the original proposal in the notice should obtain the consent from the shareholders of the Bank who initiated such proposals.

Proposing resolutions at shareholders' general meeting

Shareholders individually or jointly holding more than 3% of the voting shares of the Bank may make provisional proposal to the shareholders' general meeting and submit written request to the convener 10 days before the meeting. The convener shall issue a supplementary notice of the shareholders' general meeting within 2 days after receiving the proposal. The contents of the provisional proposal shall be announced.

Shareholders individually or jointly holding more than 3% of the total issued voting shares of the Bank may propose candidates for directors to the Board of Directors or propose candidates for supervisors to the Board of Supervisors.

Shareholders individually or jointly holding more than 1% of the total outstanding voting shares of the Bank may nominate candidates for independent directors to the Board, who can be elected at shareholders' general meeting as independent directors. Those shareholders who have nominated directors shall not nominate independent directors.

Shareholders individually or jointly holding more than 1% of the total outstanding voting shares of the Bank may nominate candidates for external supervisors, who will be elected at shareholders' general meeting as external supervisors.

Convening extraordinary Board meetings

When shareholders individually or jointly holding more than 10% of the total voting shares of the Bank raise a proposal, the chairman of the Board of Directors shall, within 10 days after receiving the proposal, calls for and presides over an extraordinary Board meeting.

Chapter IX Corporate Governance Report

9.12 SHAREHOLDERS' RIGHTS (CONTINUED)

Making inquiries to the Board

Our shareholders are entitled to supervise the business activities of the Bank, make recommendations or inquiries.

Shareholders of the Bank are entitled to access to the following information in accordance with the laws, administrative regulations, departmental rules, normative documents, relevant regulations of the securities regulatory authorities of the place(s) where the shares of the Bank are listed, and the provisions of the Articles of Association of the Bank, including: 1. Obtaining the Articles of Association of the Bank upon the payment of costs; 2. Inspecting, free of charge, or having the right to inspect and copy the following documents upon the payment of reasonable costs: (1) the register of all shareholders; (2) personal information of directors, supervisors and the senior management of the Bank; (3) the Bank's share capital; (4) report showing the total nominal value, quantity, highest and lowest prices of each class of shares repurchased by the Bank since the previous financial year and all costs paid by the Bank in this regard; (5) minutes of shareholders' general meetings; (6) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors of the Bank.

Shareholders who request to inspect or obtain any such information shall provide written documentation to the Bank, certifying the type of shares they held in the Bank as well as the number of their shareholdings. The Bank shall provide such documentation as required by shareholders after their identities are verified.

9.13 APPOINTMENT OF ACCOUNTING FIRMS

The resolution on the Appointment of External Auditors of the Bank for 2023 was considered and approved at the 2022 annual general meeting held on 30 June 2023. The Bank has reappointed Ernst & Young Hua Ming LLP (Special General Partnership) as our domestic auditor and Ernst & Young as our international auditor for the year of 2023, respectively. The Bank had not changed accounting firms over the past three years.

In 2023, the total remuneration paid to Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young for review of the financial statements and audit of the annual financial statements as agreed by the Bank and the total remuneration from other services (financial investigation on shareholders' eligibility, etc.) amounted to RMB5.15 million and RMB0.3 million, respectively.

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9.14 AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE BANK

The Bank considered and approved the Resolution of Amending the Articles of Association of Huishang Bank Corporation Limited on the 41st meeting of the fourth session of the Board of Directors held on 30 March 2022. The resolution was considered and approved at the 2021 annual general meeting held on 30 June 2022. For details, please refer to the Bank's announcement dated 30 March 2022 and the announcement of poll results of the 2021 annual general meeting dated 30 June 2022. To improve the corporate governance of the Bank and promote its sustainable and healthy development, the Bank considered and approved the Resolution of Considering the Articles of Association of Huishang Bank Corporation Limited (Revised) at the 52nd meeting of the fourth session of the Board of Directors held on 15 May 2023, which was considered and approved at the 2022 annual general meeting held on 30 June 2023 according to the regulatory requirements, including the Corporate Governance Standards of Banking and Insurance Institutions after taking into account the opinions of regulatory authorities on the previous amendments to the Articles of Association of the Bank and the actual conditions of the Bank. For details, please refer to the announcement of the Bank dated 15 May 2023 and the announcement on the poll results of the 2022 annual general meeting dated 30 June 2023. The Bank published an announcement on 18 August 2023 that the amended Articles of Association of the Bank has been approved by the Anhui Office of the National Administration of Financial Regulation.

In order to further improve the corporate governance of the Bank and promote the continuous high quality development of the Bank, the Bank considered and approved the Resolution of Considering the Articles of Association of Huishang Bank Corporation Limited (Revised) at the 58th meeting of the fourth session of the Board of Directors held on 20 December 2023, which will be submitted to annual general meeting for consideration and approval in due course. For details, please refer to the announcement of the Bank dated 20 December 2023.

9.15 COMPLIANCE AND RISK MANAGEMENT

1. Procedures for identification, evaluation and management of material risks

The Bank has established and improved sound risk management procedures that match its own scale and business complexity, and has made overall identification and measurement of a series of potential quantifiable and non-quantifiable risks arising from the coupled effect of business strategies, product mix, clients' needs and external macro-economy environment combining the Bank's own practices and conducted the corresponding control and mitigation.

Based on capital allocation to risk categories, regulatory identification of potential risks and regulatory requirements on capital for banks and identification and evaluation of risk events, the Bank identifies and evaluates major risks, and makes supplement or revision to relative policies and systems according to the evaluation results. Such key potential risks to identify include credit risk, market risk, liquidity risk, bank account interest rate risk, operational risk, compliance risk, reputation risk, strategic risk and IT risk, which were quantified and evaluated through specific measurement methods and tools.

Chapter IX Corporate Governance Report

9.15 COMPLIANCE AND RISK MANAGEMENT (CONTINUED)

2. Key features of risk management system of the Bank

(I) *Systemic structure*

The Bank has a comprehensive risk management information system mainly comprised of three layers, namely business application, risk analysis and midway data, which mainly include: 1. The business application includes: the core system, credit management system, credit card related systems, capital transaction system, bills system and risk mitigation management system; 2. The risk analysis includes: the internal rating system on corporate clients, market risk implementation information system, portfolio risk quota management system, debt rating system and tools for measuring associated risks among the systems; 3. The midway data includes: corporate database for storing and big data platform.

(II) *Key features*

The risk management system of the Bank was designed and developed by customizing practices of advanced domestic banks based on its strategic development planning and practical circumstances, with key features as follows: 1. Sound systems and data supported mechanisms under the comprehensive risk management system to underpin relevant decision-making on risk management of the Bank; 2. Collection, records and storage of relevant data to support internal rating system, risk measurement and calculation of capital and relevant management and regulatory reporting of the Bank; 3. A sound data management system of the Bank to ensure the accuracy and completeness of all kinds of risk management data.

3. Key features of internal control system of the Bank

The Bank attaches great importance to the implementation of the “Basic Norms of Internal Control for Enterprises” and its relevant guidelines and the “Guidelines for Internal Control of Commercial Banks” in a consistent manner, starting from the five elements, and dividing into three levels of corporate governance, business line management and procedural operation – which horizontally cover our business processes and management activities of various business lines and vertically cover the managing bodies of the head office, branches and sub-branches and all employees. Through the continuous construction of the internal control management system, the internal control management structure was equipped with well-defined and reasonable duties and responsibilities which clarified internal control management duties of the Board of Directors, the Board of Supervisors and senior management and three defense lines. The Board of Directors was responsible for ensuring the Bank to establish and implement adequate and effective internal control system, the Board of Supervisors was responsible for overseeing the establishment and implementation of internal control by the Board of Directors and senior management, and the senior management was responsible for organizing the day-to-day internal control operation of the Bank. The Bank will strengthen the operation and management of the internal control system, organize the internal control checks and balances and carry out the internal control operation evaluation on a regular basis, timely find the problems and deficiencies in the internal control design and implementation, and continuously improve and optimize its internal control system through the internal control rectification and correction so as to safeguard its high-quality development. In order to ensure the operation of the internal control system and enhance the digital management of internal control compliance, the Bank has built a new generation of internal control compliance risk management system, which covers four modules of internal control standards, internal control operation, internal control evaluation and internal control data, and has opened up management links such as system management, training management, inspection management, problem management, assessment management, rectification and accountability, and internal control evaluation, effectively improving the Bank’s risk identification and control level.

Chapter IX Corporate Governance Report

9.15 COMPLIANCE AND RISK MANAGEMENT (CONTINUED)

4. Risk management and internal control duties of the Board

On the basis of the “Guidelines for the Overall Risk Management of Banking Financial Institutions”, the “Guidelines for Internal Control of Commercial Banks” and other laws and regulations as well as the relevant requirements of the Hong Kong Stock Exchange, the Board of Directors of the Bank has established and implemented a risk management and internal control system and undertaken annual review of the effectiveness of such systems. The Board of Directors of the Bank is of the view that, the risk management and internal control system established and implemented by the Bank are sufficient and effective based on the Bank’s internal and external audits and regulatory inspections. The purpose of the risk management and internal control system of the Bank is to manage rather than eliminate such risks as would prevent the Bank from achieving its business goals, and such system reasonably (rather than absolutely) ensures that there would not be any material misrepresentation or loss. For details on the Bank’s internal audit, please refer to Chapter X “Internal Control” in this annual report.

9.16 PROCEDURES AND SUPERVISORY MEASURES FOR HANDLING INSIDER INFORMATION

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality of insider information and protect the legitimate interests of investors by maintaining fairness with regard to information disclosure, the Bank formulated relevant management systems on insider information and insider management as well as information disclosure, strictly complied with domestic and offshore regulatory requirements, kept strengthening system management and promptly and appropriately disclosed relevant information.

The Insider Information Management System of the Bank expressly provides for the scope of operational, financial or other information that may have a material impact on the market price of securities of the Bank but has not yet been made available on any media for information disclosure designated by securities regulating authorities and the definition of insiders in connection thereof, as well as detailed requirements on management of insiders, confidentiality of such information and punishment measures for divulgence thereof.

Chapter X Internal Control

10.1 INTERNAL CONTROL

10.1.1 Internal control system and operation

Following the operation philosophy of compliant and steady development, the Bank has established a system of factors on internal balanced control from six dimensions, namely, the decision-making and approval process, hierarchical authorization management and control, separation of department positions, system and procedure control, information system control and internal supervision and rectification, defined the key control points for internal control and implemented dynamic adjustment and optimization according to the provisions under laws and regulations such as the Basic Norms of Internal Control for Enterprises and its relevant guidelines, the Guidelines for Internal Control of Commercial Banks, the relevant requirements of the Hong Kong Stock Exchange as well as the relevant system requirements of the Bank. The Bank has exerted full control over the whole process of various operations and management of the Bank so as to ensure the compliant and steady development of the Bank.

The Bank has established a mechanism covering standard segregation of duties and scientific and effective control and balances. In particular, the Board of the Bank takes ultimate responsibility for the establishment of the internal control system as well as the effectiveness of its implementation. The Board of Supervisors is in charge of overseeing the Board and senior management to establish and improve the internal control system; and overseeing the Board and its directors, senior management and senior officers to perform their duties on internal control. Senior management is responsible for the execution of internal control system and policies approved by the Board of Directors. Each functional department of the head office and branches, outlets and the audit department form the “third-line defence of internal control” of the Bank based on the principle of mutual checks and balances and the separation of front, middle and back offices of banking business, building a complete and effective internal control system with clear responsibilities, mutual checks and balances.

During the Reporting Period, the Bank continued to optimize the system of factors on internal balanced control, steadily promoted the promotion of the internal balanced control systems for branches, and achieved full coverage of the training for 21 branches of the Bank. In addition, the Bank launched a new generation of internal control compliance risk management system, promoted the transformation of internal control compliance management to online, and provided effective tools and solid guarantees for high-quality operation of internal control compliance, carried out internal control operation evaluation in an orderly manner, evaluated the internal control operation status of branches from the two aspects of result control and process control, and urged business lines and branches to specifically strengthen internal control according to the weak links of internal control.

10.1.2 Implementation of the Basic Norms of Internal Control for Enterprises and its relevant guidelines in a consistent manner

The Bank places great importance to the implementation of the Basic Norms of Internal Control for Enterprises and its relevant guidelines in a consistent manner. Firstly, it has defined internal control and management systems and internal control and management duties of the operational department, business lines management department and compliance department. Secondly, the Bank established the internal balanced control system. Based on five elements in internal control, it set up factors of internal balanced process for all business types from six dimensions, including the decision-making and approval process, hierarchical authorization management and control, internal supervision and rectification, to clarify key control points and realize the implementation of internal control methods such as regulatory policies, system management, training management, assessment management, inspection management, rectification and accountability in a logical and closed-loop way. Thirdly, it has improved its internal control system. Through regularly reviewing its directory of effective rules, the Bank has clarified the hierarchy and relations of each rule and developed an articulation with regulatory policies and business types, thus forming a complete set of departmental rules for the whole Bank. Fourthly, it organized and implemented the internal control operation appraisal and comprehensively evaluated the construction and implementation of internal control of a line of defense from six dimensions, including asset quality, regulation appraisal, implementation of systems, behaviors of employees, information exchange and internal supervision, to find out the weakness of internal control and supervise and urge the rectification, so as to continue to improve the internal control system of the Bank. Fifthly, it conducted inspections on abnormal behaviors of employees, strengthened technology empowerment, optimized the abnormal behavior monitoring system of employees, and flexibly used a variety of means to prevent and resolve the abnormal behaviors of employees.

Chapter X Internal Control

10.2 INTERNAL AUDIT

The Bank has implemented an internal audit system, set up an internal audit department which consists of seven audit divisions by region, and established an independent and vertical management system for audit as well as the suitable reporting system and lines for internal audit, which enabled the establishment of a complete internal audit system based on the internal audit charters, including specific standards, internal requirements, guide manual, among others. We have established an audit model which combines on-site audit with off-site monitoring, developed annual working plans on auditing and implemented such plans upon consideration and approval by the Board of Directors.

The internal audit department investigated, evaluated and facilitated the business activities, risk profile, internal control and compliance and corporate governance status of the Company through systematic and standardised methods with a view to promoting its sound development and value enhancement.

The internal audit department is under the leadership of the Board of Directors of the Bank, and shall be accountable to the Board of Directors and report the work to it. It is also subject to the guidance and supervision of the national audit offices, banking and insurance regulatory authorities and the Board of Supervisors of the Bank. The Board of Directors has established the Audit Committee, which is authorized to guide, supervise and evaluate the audit work. The senior management fully supports the internal audit department to perform its duties independently and ensures adequate internal audit resources.

In 2023, the internal audit department of the Bank focused on key areas of operation and management, actively carried out audit projects, audit verification, internal control evaluation and other activities, continued to expand the breadth and coverage of audits, promoted the completion of audit organization structure reform approval procedures, so as to tighten the internal audit supervision network. Meanwhile, it continuously enhanced the audit informatisation capability, and reinforced the supervision and evaluation on the rectification of problems identified in audit, so as to give full leverage to the positive effect of internal audit on the Bank's strengthening its risk management, improving its internal control and realizing its high-quality development.

10.3 EVALUATION ON INTERNAL CONTROL

In 2023, in accordance with relevant requirements on internal control assessment of commercial banks under the Guidelines for Internal Control of Commercial Banks and other systems and provisions, the Bank organized and carried out the annual assessment on internal control. The assessment focused on five elements, namely internal environment, risk assessment, control measures, information and communication and internal supervision to carry out a comprehensive evaluation on the business, institutions, and risk management policies of the Bank.

Chapter XI Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors supervised the Bank's internal control, risk management, financial activities, legal compliance of operations, as well as the performance of duties of the Board of Directors and senior management in accordance with the Company Law of the People's Republic of China, the Corporate Governance Standards for Banking and Insurance Institutions, the Guidelines for the Work of the Board of Supervisors in Commercial Banks and the responsibilities defined by the Bank's Articles of Association.

The Board of Supervisors has expressed an independent opinion on following matters:

- (I) The operation in compliance with laws. During the Reporting Period, the Board of Directors and senior management of the Bank continued legal compliance of operations and the decision-making procedures complied with laws and regulations and the Articles of Association of the Bank. Directors, Supervisors and senior management faithfully performed the responsibilities defined by the Bank's Articles of Association, and there was no circumstance where their performance of duties was in violation of the laws and regulations or harmed the interests of the Bank.
- (II) Preparation of financial report. Preparation and review procedures of annual reports of the Bank were in compliance with laws, regulations and regulatory requirements. The contents of the report reflected the Bank's operation in a true, accurate and complete manner. The Board of Supervisors has no objection to the standard unqualified audit report audited and issued by Ernst & Young in accordance with the ISAs.
- (III) Related party transactions. During the Reporting Period, related party transactions of the Bank complied with national laws and regulations, regulatory systems and the Articles of Association of the Bank and the Board of Supervisors did not identify any related transactions that harmed the interests of the Bank.
- (IV) Internal control. During the Reporting Period, the Bank strived to put internal control as its priority, proactively improved and implemented the system of factors on internal balanced control, earnestly implemented regulatory requirements and continued to strengthen and improve internal control. The Board of Supervisors reviewed the 2023 Internal Control Assessment Report of the Bank, and had no objection to the same.
- (V) Risk management. During the Reporting Period, the Bank formulated and implemented strategic plan on financial technology, continued to promote the establishment of the digital bank, strengthened risk management and control in key areas, increased efforts in the disposal of non-performing assets. Therefore, the weighting of risky assets declined, the level of capital adequacy increased and key risk regulatory indicators continued to be improved and the overall risk situation was controllable.
- (VI) Implementation of resolutions of shareholders' general meetings. The Board of Supervisors supervised the implementation of the resolutions of the shareholders' general meetings, and was of the view that the Board of Directors and senior management had well implemented the relevant resolutions of shareholders' general meetings.
- (VII) Implementation of information disclosure systems. During the Reporting Period, the Bank performed information disclosure obligations and carefully implemented information disclosure management systems in accordance with regulatory requirements. No non-compliance with laws and regulations was identified in information disclosure.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the Reporting Period.

By Order of the Board of Supervisors
He Jiehua
Chairman of the Board of Supervisors

27 March 2024



Chapter XII Financial Report



Chapter XII Financial Report Independent Auditor's Report



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To the shareholders of Huishang Bank Corporation Limited

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Huishang Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 154 to 286, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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") issued by the International Auditing and Assurance Standards Board. 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 *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, 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 of 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Chapter XII Financial Report

Independent Auditor's Report

Goodwill impairment assessment

Key audit matter

On 23 November 2020, the Bank completed the acquisition of selected businesses of BaoShang bank, which included certain assets, liabilities and personnel of four branches of BaoShang bank at zero consideration. The Bank recognised goodwill of RMB14,567,826 thousand as a result of this acquisition. The Bank assessed and determined that provision for the impairment losses of goodwill is required for RMB3,020,437 thousand as at 31 December 2023.

Under IAS 36, the management of the Bank is required to perform impairment assessment both annually and whenever there is an indication that a group of cash-generating units ("CGUs") to which goodwill has been allocated may be impaired.

The Bank engaged an independent external professional firm to assist in the goodwill impairment testing. The recoverable amount of CGUs to which the goodwill had been allocated was determined based on the higher of the value in use calculated using the discounted future cash flow method and its fair value less costs of disposal. The method involved significant judgements and estimates which included assumptions such as growth rate and discount rate, etc. Goodwill impairment assessment was considered a key audit matter.

Relevant disclosures of the goodwill impairment assessment are included in Note 4 and Note 28 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures in relation to the goodwill impairment assessment included involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Bank, especially the discount rate and the long-term growth rate applied in the discounted cash flow projection method. We assessed the reasonableness of the forecasted earnings of the CGUs' via comparison with comparable peer companies and discussed with the management of the Bank of the business development plan.

Chapter XII Financial Report Independent Auditor's Report

Impairment assessment of loans and advances to customers and financial investments at amortised cost

Key audit matter	How our audit addressed the key audit matter
<p>The Group uses a number of different models and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none"> Significant increase in credit risk — The selection of criteria for identifying a significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans with longer remaining periods to maturity; Model and parameters — Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions; Forward-looking information — specialists judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; and Individual impairment assessment — Identifying credit impaired loans requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. 	<p>We evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan rating system, collateral monitoring and loan impairment assessment, including relevant data quality and information systems.</p> <p>We adopted a risk-based sampling approach in our loan review procedures and financial investments at amortised cost. We assessed the debtors' repayment capacity and evaluated the Group's loan grading and financial investments at amortised cost, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information.</p> <p>With the support of our internal credit risk modelling specialists, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:</p> <ol style="list-style-type: none"> Expected credit loss model: <ul style="list-style-type: none"> Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and any significant increase in credit risk; Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumption of multiple macroeconomic scenarios;

Chapter XII Financial Report

Independent Auditor's Report

Impairment assessment of loans and advances to customers and financial investments at amortised cost (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Since loan impairment assessment involved many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2023, net loans and advances to customers amounted to RMB846.08 billion, representing 46.84% of the total assets; financial investments at amortised cost amounted to RMB341.76 billion, representing 18.92% of total assets; loan impairment amounted to RMB29.87 billion, and allowance for impairment losses on financial investments at amortised cost amounted RMB9.27 billion), impairment of loans and advances and financial investments at amortised cost was considered a key audit matter.</p> <p>Relevant disclosures are included in Note 4, Note 23, Note 24, Note 52.1.5 and Note 52.1.6 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral. <p>2. Design and operating effectiveness of key controls:</p> <ul style="list-style-type: none"> • Evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, computational logic of impairment procedures, as well as data inputs; • Evaluated and tested key controls over the expected credit loss models, including approval of model changes, model validation and parameter calibration.

Chapter XII Financial Report Independent Auditor's Report

Consolidation of structured entities assessment

Key audit matter

The Group has established various structured entities, such as bank wealth management products, funds, trust plans, in conducting asset management business and investments. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over them through taking into consideration the power arising from rights, variable returns, and the link between power and returns.

The assessment of the Group's control over structured entities involves significant judgement and estimation such as the purpose and design of structured entities, its ability to direct relevant activities, interests it holds directly or indirectly, the performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc.

As at 31 December 2023, the carrying value of unconsolidated wealth management products managed by the Group was RMB177.32 billion, and the carrying value of investments in unconsolidated structured entities invested by the Group was RMB246.50 billion. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation assessment of structured entities was considered a key audit matter.

Relevant disclosures are included in Note 4 and Note 47 to the consolidated financial statements.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the key controls relating to the Group's assessment of whether it controls a structured entity.

We assessed the Group's analysis and conclusions as to whether it controls the structured entities based on an analysis of the power it has over the structured entities and the magnitude and variability of the variable returns it receives from the structured entities. We also reviewed relevant term sheets on a sampling basis to analyse whether the Group has the obligation to absorb any loss of the structured entities, and assessed whether the Group had provided liquidity support or credit enhancement to the structured entities.

Chapter XII Financial Report

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE BANK'S 2023 ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises 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 the 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 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 of the Bank 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. Our 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.

Chapter XII Financial Report Independent Auditor's Report

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

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.
- 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 to 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.

Chapter XII Financial Report

Independent Auditor's Report

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

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 Ng Chi Keung.

Ernst & Young

Certified Public Accountants

Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	2023	2022
Interest income	7	64,992,450	60,962,226
Interest expense	7	(36,272,245)	(32,257,565)
Net interest income		28,720,205	28,704,661
Fee and commission income	8	3,222,657	4,582,789
Fee and commission expense	8	(417,422)	(402,898)
Net fee and commission income		2,805,235	4,179,891
Net trading gains	9	3,601,426	2,119,173
Net gains on financial investments	10	609,265	745,599
Dividend income		4,640	6,400
Other operating income, net	11	624,569	473,917
Operating income		36,365,340	36,229,641
Operating expenses	12	(10,199,368)	(9,474,462)
Impairment losses on credits	15	(8,569,651)	(6,870,241)
Impairment losses on assets		(228,687)	(2,791,750)
Operating profit		17,367,634	17,093,188
Investments in associates		289,272	221,953
Profit before income tax		17,656,906	17,315,141
Income tax expense	16	(2,666,356)	(3,632,072)
Profit for the year		14,990,550	13,683,069
Attributable to:			
Equity holders of the Bank		14,433,227	13,397,600
Non-controlling interests		557,323	285,469
Earnings per share attributable to the ordinary shareholders of the Bank (expressed in RMB per share)			
Basic/Diluted	17	1.00	0.93

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	2023	2022
Profit for the year		14,990,550	13,683,069
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Net gains on investments in equity instruments designated at fair value through other comprehensive income	42	12,573	66,751
– Other comprehensive income that cannot be transferred to profit or loss under the equity method		(27,436)	(22,952)
Less: associated impact of income tax	42	(3,143)	(16,689)
Subtotal		(18,006)	27,110
Items that may be reclassified subsequently to profit or loss			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	42	1,676,813	(904,901)
– Other comprehensive income that can be transferred to profit or loss under the equity method		(15,072)	23,814
Less: associated impact of income tax	42	(419,143)	226,226
Subtotal		1,242,598	(654,861)
Other comprehensive income for the year, net of tax		1,224,592	(627,751)
Total comprehensive income for the year		16,215,142	13,055,318
attributable to:			
Equity holders of the Bank		15,657,673	12,769,849
Non-controlling interests		557,469	285,469
		16,215,142	13,055,318

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2023	As at 31 December 2022
Assets			
Cash and balances with central bank	18	98,611,763	104,693,610
Deposits with banks and other financial institutions	19	14,409,056	10,719,612
Placements with banks and other financial institutions	20	35,272,020	20,695,386
Derivative financial assets	21	100,201	129,682
Financial assets held under resale agreements	22	24,774,508	12,658,904
Loans and advances to customers, net	23	846,082,311	734,798,375
Financial Investments			
– Financial assets at fair value through profit or loss	24	176,259,867	122,955,300
– Financial assets at fair value through other comprehensive income	24	169,365,806	139,941,437
– Financial assets at amortised cost	24	341,763,332	334,781,873
Investments in associates	25	5,151,471	4,923,502
Property, plant and equipment	26	4,538,915	4,625,989
Right-of-use assets	27	1,149,405	1,126,784
Goodwill	28	11,547,389	11,776,076
Deferred income tax assets	38	14,238,323	13,655,828
Finance lease receivables	29	58,683,197	57,807,458
Other assets	30	4,195,986	4,945,870
Total assets		1,806,143,550	1,580,235,686
Liabilities			
Borrowings from central bank		138,086,337	82,907,774
Deposits from banks and other financial institutions	32	164,013,783	123,611,239
Placements from banks and other financial institutions	33	47,085,865	43,862,693
Derivative financial liabilities	21	100,667	116,985
Financial assets sold under repurchase agreements	34	66,850,964	54,476,425
Deposits from customers	35	1,042,315,067	912,776,127
Taxes payable	36	1,974,539	2,907,816
Debt securities issued	39	181,661,057	218,002,133
Other liabilities	37	17,328,429	18,752,836
Total liabilities		1,659,416,708	1,457,414,028

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2023	As at 31 December 2022
Equity			
Share capital	40	13,889,801	13,889,801
Other equity instruments	40	19,999,357	9,999,811
Capital reserve	40	15,230,704	15,230,704
Surplus reserves	41	19,948,581	17,404,333
General reserves	41	17,584,011	15,597,809
Other comprehensive income	42	2,124,467	900,021
Retained earnings		54,206,156	46,585,163
Equity attributable to shareholders of the bank		142,983,077	119,607,642
Non-controlling interests		3,743,765	3,214,016
Total equity		146,726,842	122,821,658
Total equity and liabilities		1,806,143,550	1,580,235,686

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 27 March 2024.

Yan Chen

Chairman

Kong Qinglong

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank								
	Share capital Note 40	Other equity instruments Note 40	Capital reserve Note 40	Surplus reserves Note 41	General reserves Note 41	Other comprehensive income Note 42	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2023	13,889,801	9,999,811	15,230,704	17,404,333	15,597,809	900,021	46,585,163	3,214,016	122,821,658
(1) Comprehensive income									
Profit for the year	-	-	-	-	-	-	14,433,227	557,323	14,990,550
Fair value changes through other comprehensive income	-	-	-	-	-	1,032,198	-	146	1,032,344
Asset impairment through other comprehensive income	-	-	-	-	-	234,756	-	-	234,756
Other Comprehensive Income accrued under the equity method	-	-	-	-	-	(42,508)	-	-	(42,508)
Total comprehensive income for the year	-	-	-	-	-	1,224,446	14,433,227	557,469	16,215,142
(2) Profit distribution									
Dividends	-	-	-	-	-	-	(2,281,784)	(27,720)	(2,309,504)
Perpetual bonds issued	-	9,999,546	-	-	-	-	-	-	9,999,546
Appropriation to surplus reserve	-	-	-	2,544,248	-	-	(2,544,248)	-	-
Appropriation to general reserve	-	-	-	-	1,986,202	-	(1,986,202)	-	-
(3) Changes in share capital									
Capital contribution and reduction by other equity instruments holders	-	-	-	-	-	-	-	-	-
As at 31 December 2023	13,889,801	19,999,357	15,230,704	19,948,581	17,584,011	2,124,467	54,206,156	3,743,765	146,726,842
As at 1 January 2022	13,889,801	9,999,811	15,230,704	15,180,759	13,531,015	1,527,772	39,204,123	2,951,666	111,515,651
(1) Comprehensive income									
Profit for the year	-	-	-	-	-	-	13,397,600	285,469	13,683,069
Fair value changes through other comprehensive income	-	-	-	-	-	(942,698)	-	-	(942,698)
Asset impairment through other comprehensive income	-	-	-	-	-	314,085	-	-	314,085
Other Comprehensive Income accrued under the equity method	-	-	-	-	-	862	-	-	862
Total comprehensive income for the year	-	-	-	-	-	(627,751)	13,397,600	285,469	13,055,318
(2) Profit distribution									
Dividends	-	-	-	-	-	-	(1,726,192)	(23,119)	(1,749,311)
Appropriation to surplus reserve	-	-	-	2,223,574	-	-	(2,223,574)	-	-
Appropriation to general reserve	-	-	-	-	2,066,794	-	(2,066,794)	-	-
(3) Changes in share capital									
Capital contribution and reduction by other equity instruments holders	-	-	-	-	-	-	-	-	-
As at 31 December 2022	13,889,801	9,999,811	15,230,704	17,404,333	15,597,809	900,021	46,585,163	3,214,016	122,821,658

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	2023	2022
Cash flows from operating activities:		
Profit before income tax	17,656,906	17,315,141
Adjustments:		
Impairment losses on credits	8,569,651	6,870,241
Impairment losses on assets	228,687	2,791,750
Recovery of loans written off	1,087,764	1,307,776
Recovery of financial assets held under resale agreements written off	2,000	2,000
Recovery of other assets written off	5,955	27,630
Recovery of finance lease receivables written off	92,700	–
Depreciation and amortisation	1,079,396	1,035,880
Net (gains)/losses on disposals of property, plant and equipment	16,464	(9,194)
Net gains on de-recognition of investment securities	(609,265)	(745,599)
Fair value changes in financial assets at fair value through profit or loss and derivatives	150,426	1,120,320
Share of results of associates	(289,272)	(221,953)
Dividend income	(4,640)	(6,400)
Interest income from investment securities	(19,729,165)	(19,336,521)
Interest expense from lease liabilities	32,519	35,041
Interest expense from debt securities issued	5,085,184	5,126,413
Net changes in operating assets:		
Net increase in balances with central bank	(2,979,034)	(6,510,935)
Net increase in deposits and placements with banks and other financial institutions	(12,938,237)	(6,642,261)
Net (increase)/decrease in financial assets at fair value through profit or loss	(6,768,444)	30,306,759
Net increase in financial assets held under resale agreements	(12,100,649)	(7,321,998)
Net increase in loans and advances to customers	(119,197,808)	(111,825,128)
Net increase in finance lease receivables	(1,723,623)	(4,987,480)
Net increase in other assets	(1,867,258)	(4,423,360)
Net changes in operating liabilities:		
Net increase/(decrease) in deposits and placements from banks and other financial institutions	43,852,127	(12,752,955)
Net increase in borrowings from central bank	54,847,242	17,570,487
Net increase in financial assets sold under repurchase agreements	12,302,462	15,920,788
Net increase in deposits from customers	126,002,287	125,488,430
Net increase in other liabilities	2,269,936	5,455,243
Income taxes paid	(4,489,563)	(5,402,424)
Net cash flows from operating activities	90,584,748	50,187,691

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	2023	2022
Cash flows from investing activities:		
Dividends received	4,640	6,400
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	37,000	27,850
Purchase of property, plant and equipment, intangible assets and other long-term assets	(622,980)	(560,068)
Cash received from interest income on investment securities	19,799,207	19,468,414
Cash received from sale and redemption of investment securities	520,339,762	281,951,171
Purchase of investment securities	(600,355,551)	(365,858,500)
Net cash flows used in investing activities	(60,797,922)	(64,964,733)
Cash flows from financing activities:		
Proceeds from issuance of debt securities	233,390,000	251,310,000
Cash received from issuance of equity instruments	9,999,546	–
Dividends and interests paid on debt issued	(6,890,720)	(6,416,624)
Cash paid relating to lease liabilities	(379,509)	(385,620)
Cash paid relating to debt repayment	(269,751,935)	(216,232,268)
Net cash flows (used in)/from financing activities	(33,632,618)	28,275,488
Impact on cash and cash equivalents resulting from exchange rate changes	109,214	327,749
Net (decrease)/increase in cash and cash equivalents	(3,736,578)	13,826,195
Cash and cash equivalents at beginning of year	47,294,163	33,467,968
Cash and cash equivalents at end of year (Note 48)	43,557,585	47,294,163

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION

Huishang Bank Corporation Limited (the "Bank") is a joint stock commercial bank registered in Anhui Province, the People's Republic of China (the "PRC"). The Bank was formerly known as Hefei City Cooperatives Bank, which was established on 4 April 1997, and was renamed as Hefei Commercial Bank Co., Ltd. on 28 July 1998. The Bank was further renamed as Huishang Bank Corporation Limited on 30 November 2005 with the approval of the general office of the former China Banking Regulatory Commission ("CBRC") Anhui Branch. As approved by CBRC Anhui Branch, the Bank acquired five former city commercial banks in Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and seven city credit cooperatives in Lu'an, Huainan, Tongling and Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda on 28 December 2005. The Bank holds the financial institution licence B0162H234010001 from CBRC Anhui Branch and the business licence of legal enterprise with unified social credit code No. 913400001489746613. The registered address of the Bank is Huishang Bank Building, No. 1699 Yungu Road, Hefei, China. In November 2013, the Bank's H shares were listed on the Hong Kong Stock Exchange (Stock Code: 3698). As at 31 December 2023, the registered and paid-in capital of the Bank was RMB13.89 billion.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, asset custody services, finance leasing services, asset management and the provision of services as approved by the respective regulators.

Information of the Bank's subsidiaries:

Company name	Place of incorporation and operation	Date of incorporation	Principal activity	Registered capital	Equity held	Legal category
Jinzhai Huiyin Village and Township Bank Co., Ltd.(a)	Mainland China	2013/06/28	Financial services	80,000	41%	Limited liability company
Wuwei Huiyin Village and Township Bank Co., Ltd.(b)	Mainland China	2010/08/08	Financial services	100,000	40%	Limited liability company
Huiyin Financial Leasing Co., Ltd.(c)	Mainland China	2015/04/29	Financial services	3,000,000	54%	Limited liability company
Huiyin Wealth Management Co., Ltd.(d)	Mainland China	2020/04/26	Financial services	2,000,000	100%	Limited liability company

- (a) The Bank invested 41% of the total capital contribution to establish Jinzhai Huiyin Village and Township Bank Co., Ltd. ("Jinzhai Huiyin") on 28 June 2013. The Bank and the other three shareholders who invested a total 30% of the capital contribution signed the Acting in Concert Agreement. These shareholders agreed to act in concert with the Bank when voting for material decisions regarding financial and operation policies. The Bank has control over Jinzhai Huiyin and has consolidated it.

In May 2017, one of the three shareholders who signed the Acting in Concert Agreement transferred its stake to external shareholders, and its Acting in Concert Agreement expired. The Bank and the two remaining shareholders who signed the Acting in Concert Agreement are persons acting in concert, these shareholders agreed to act in concert with the Bank when voting for material decisions regarding financial and operating policies. The Bank has control over Jinzhai Huiyin, so the Bank consolidates Jinzhai Huiyin.

- (b) The Bank established Wuwei Huiyin Village and Township Bank Co., Ltd. ("Wuwei Huiyin") in 2010. The registered capital of Wuwei Huiyin is RMB0.1 billion. The Group invested RMB40 million, which is accounted for 40%. Wuwei Huiyin officially commenced its business on 8 August 2010 with the approval of the CBRC. Although the Bank has no absolute controlling interest in Wuwei Huiyin, the company's operating activities in four years after its incorporation indicated that the Bank has a dominant position and control over its operating and financing activities of Wuwei Huiyin by taking into full account various factors. The Bank consolidated Wuwei Huiyin from 31 December 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

- (c) The Bank invested 51% to establish Huiyin Financial Leasing Co., Ltd. on 29 April 2015. The Bank has control over Huiyin Financial Leasing Co., Ltd. and consolidates it. In March 2018, the Bank invested RMB687 million to participate in the capital increase and expansion of Huiyin Financial Leasing Co., Ltd., the registered capital of Huiyin Financial Leasing Co., Ltd. increased from RMB2 billion to RMB3 billion, and the Bank's shareholding ratio increased to 54%.
- (d) The Bank invested RMB2 billion on 26 April 2020 to establish Huiyin Wealth Management Co., Ltd., which was included in the consolidated financial statements because it has 100% control.

These consolidated financial statements have been approved by the Board of Directors on 27 March 2024.

2 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the reporting period presented unless otherwise stated.

2.1 Basis of preparation and critical accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the financial statements throughout the reporting period.

Financial assets and liabilities at fair value through profit or loss (including derivative financial instruments), financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets held for sale are measured at the lower of their fair value less estimated costs and the carrying amount when the conditions for sale are met. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Standards, amendments and interpretations effective in 2023

On 1 January 2023, the Group adopted the following standards, amendments and interpretations.

Amendments to IFRS 1 and IFRS Practice Statement 2	<i>Replacing the words "significant accounting policies" with "material accounting policies" and add explanatory paragraphs and examples</i>
Amendments to IAS 8	<i>Monetary amounts in the financial statements that are subject to measurement uncertainty</i>
Amendments to IAS 12	<i>Narrowing the scope of application of the exemption from initial recognition of deferred tax assets and deferred tax liabilities and clarifying the accounting treatment of deferred taxes related to right-of-use assets and lease liabilities and abandonment obligations</i>

The amendments to IAS 1 replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. Guidance and illustrative examples are added in the Practice Statement 2 to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Basis of preparation and critical accounting policies (Continued)

2.1.1 Standards, amendments and interpretations effective in 2023 (Continued)

Amendments to IAS 8 introduce a new definition of “accounting estimates”. Accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

Amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 for deferred tax assets and deferred tax liabilities, and clarify the accounting treatment method of deferred income tax for right-of-use assets and lease liabilities, and decommissioning obligations.

The adoption of the above amendments did not have a significant impact on the Group’s consolidated financial statements.

2.1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2023

Standards		Effective for annual periods beginning on or after
Amendments to IFRS 16	<i>Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 7 and IFRS 7	<i>Supplier Financing arrangements</i>	1 January 2024
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely
Amendments to IAS 21	<i>Lack of Exchangeability</i>	1 January 2025

The IASB has amended IFRS 16 to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained. The amendments do not change the accounting for leases unrelated to sale and leaseback transactions.

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: what is meant by a right to defer settlement; That a right to defer must exist at the end of the reporting period; that classification is unaffected by the likelihood that an entity will exercise its deferral right; that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively, and earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Basis of preparation and critical accounting policies (Continued)

2.1.2 *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2023 (Continued)*

The IASB issued amendments to IAS 7 to clarify that arrangements that only provide credit enhancement to the enterprise (e.g., financial guarantees, including letters of credit used as security) or instruments used by the enterprise to settle debts directly with the supplier (e.g. credit cards) do not qualify as supplier finance arrangements. At the same time, IAS 7 and IFRS 7 clarify specific disclosure requirements for supplier finance arrangements.

The narrow-scope amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s investors in the associate or joint venture. The amendments apply prospectively.

The IASB has issued amendments to IAS 21 to clarify how an entity should assess whether a currency is convertible into another currency and, in the absence of convertibility, how an entity should estimate the spot rate at the measurement date. The amendments require disclosures that enable users of financial statements to understand the impact of currency non-convertibility. Early application is permitted. In applying these revisions, an entity cannot restate comparative information. Any cumulative effect of the initial application of the revisions shall be recognised as an adjustment to the opening balance of retained profits or an adjustment to the cumulative currency translation differences in a separate component of equity, if applicable, at the date of initial application.

The above standards and amendments are expected to have no material impact on the financial statements of the Group.

3 CRITICAL ACCOUNTING POLICIES

3.1 Business Combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates and joint ventures, and structured entities controlled by corporates) over which the Group has control. That is 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. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in the definition of control involved in the changes of relevant elements, the Group will re-evaluate whether subsidiaries are controlled.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income from subsidiaries. The Group assesses at each financial reporting date whether there is objective evidence that investments in subsidiaries are impaired. An impairment loss is recognised for the amount by which the investments in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investments in subsidiaries' fair value less costs to sell and value in use.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.3 Associates

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investments in associates" includes goodwill.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed its recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

3.4 Foreign currency translations

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on all other monetary assets and liabilities are recognised in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Translation differences on non-monetary financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Translation differences on non-monetary financial assets and financial liabilities at fair value through profit or loss are recognised in exchange gains of the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.5 Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

3.6 Financial instruments

3.6.1 Initial recognition and measurement

An entity shall recognise a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss.

The fair value of a financial instrument at initial recognition is normally the transaction price. If an entity determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss.

3.6.2 Classification and subsequent measurement

3.6.2.1 Financial assets

An entity shall classify financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Business models

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model for the financial assets is 'other'. The entity's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how to generate cash flows in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.1 Financial assets (Continued)

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identify whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(1) Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group hold mainly include loans and advances to customers, cash and due from banks and other financial institutions, Placements with and loans to banks and other financial institutions and debt securities, and are subsequently measured at amortised cost.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that the initial amount and the maturity amount and adjusted for any loss allowance.

(2) Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group hold mainly include bills discounted and debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognised in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets and be recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.1 Financial assets (Continued)

(3) Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets at fair value through profit or loss in accordance with IFRS.

Such financial assets that the Group hold mainly include debt securities and fund investments, and are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the income statement.

(4) Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument except trading equity instrument as financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the income statement. Such equity instruments do not recognise impairment losses.

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model.

3.6.2.2 Financial liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- (a) financial liabilities at fair value through profit or loss. Such liabilities, including financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) Financial guarantee contracts and loan commitments which rates are lower than market's.

Such financial liabilities measured at amortised cost that the Group hold mainly include due to customers, placements from banks and other financial institutions and bonds issued and are subsequently measured at amortised cost.

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.2 Financial liabilities (Continued)

Such financial liabilities at fair value through profit or loss that the Group hold mainly include Interbank certificates of deposit issued and rental of precious metal and are subsequently measured at fair value. A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in profit or loss unless:

- (a) it is part of a hedging relationship;
- (b) it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liability's credit risk in other comprehensive income; When the financial liability is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from the other comprehensive income to undistributed profits under equity.

An entity shall not reclassify any financial liability.

3.6.2.3 Financial assets and financial liabilities held for trading

An entity shall classify financial assets or liabilities as financial assets or financial liabilities held for trading if one of the following conditions are met:

A financial asset or financial liability that:

- (a) is acquired or incurred principally for the purpose of selling or repurchasing in the near term; or
- (b) on initial recognition, is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3.6.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss

An entity may, at initial recognition, irrevocably designate a financial instrument as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- (b) a Group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel; or

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3 CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 Classification and subsequent measurement (Continued)

3.6.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss (Continued)

- (c) if a contract contains one or more embedded derivatives unless the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or separation of the embedded derivative(s) is prohibited.

According to the above conditions, the financial assets and financial liabilities designated by the Group mainly include debt securities, due to and placements from banks and other financial institutions and bonds issued valued at fair value.

3.6.3 Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantees were given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the expenditure determined by the expected credit loss model that is required to settle any financial obligation arising at the financial reporting date, and any increase in the liability relating to guarantees is taken to the income statement.

Loan commitment is a commitment provided by the Group to the customers to grant loans under the established contract terms during certain period. The Group generally shall not commit to issuing loans with an interest rate lower than market or providing customers with a loan commitment to pay cash or to settle on a net basis through delivery or issuance of other financial instruments. The impairment losses on loan commitments are measured using the expected credit loss model. The Group discloses the impairment allowances for financial guarantee contracts and loan commitments in the contingent "Provision".

3.6.4 Determination of fair value

The fair value is 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. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.5 De-recognition of financial instruments

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired, or when the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in equity through other comprehensive income is recognised in the income statement.

Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability de-recognised and the consideration paid is recognised in the income statement.

3.6.6 Impairment measurement for losses on assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment provisions for financial assets measured at amortised cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts on the basis of anticipated credit losses. See Note 52.1 for specific information.

3.6.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.7 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. The Group adjusts to credit risk of over-the-counter derivatives to reflect credit risk of counterparties and the Group itself. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.8 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is an asset within the scope of this Standard, the Group applies the requirements of classification and measurement to the entire hybrid contract. If a hybrid contract contains a host that is not an asset within the scope of this Standard, the Group separates embedded derivatives from the host contract and accounts for these as derivatives, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

The Group will regard entire hybrid instrument which cannot be separately measured initially, or subsequently as financial assets or financial liabilities recognised at fair value in profit or loss.

3.9 Precious metals and precious metals swaps

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group as precious metals deposits, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metal market making and trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "Net trading gains" are recognised in the income statement.

Consistent with the substance of the transaction, if the precious metal swaps are for financing purposes, they are accounted for as precious metals subject to collateral agreements. Precious metals collateralised are not de-recognised and the related counterparty liability is recorded in "Placements from banks and other financial institutions". If precious metal swaps are for trading purposes, they are accounted for as derivative transactions.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.10 Repurchase and reverse repurchase transactions

Repurchase financial assets refer to the funds leased out from the financial assets which are purchased by the Group under agreements and sold at a fixed price. Reverse repurchase financial assets refer to the funds arise from the financial assets which are sold by the Group under agreements and repurchased at a fixed price. The actual payments or cash received in repurchase and reverse repurchase transactions are recognised in consolidated statement of financial position. The target assets purchased in repurchase transactions are not recognised; the target assets sold in reverse repurchase transactions are recognised in consolidated statement of financial position.

The difference between purchase and sale price is recognised as “Interest expense” or “Interest income” in the income statement over the life of the agreements using the effective interest method.

3.11 Property, plant and equipment

Fixed assets refer to the tangible assets held by the Group for business management and whose useful life exceeds one fiscal year. Construction in progress refers to the houses, buildings, machinery and equipment that are under construction or being installed, and when they are ready for their intended use, they are transferred to the corresponding fixed assets.

(a) *Cost of fixed assets*

Fixed assets are initially recognised at cost. The cost of purchased fixed assets includes the purchase price, related taxes and fees, and the costs attributable to the asset before the asset is ready for its intended use. The cost of self-constructed fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable condition.

Subsequent expenses for fixed assets, including expenses related to the replacement of a component of fixed assets, are included in the cost of fixed assets when the conditions for recognition of fixed assets are met; at the same time, the carrying amount of the replaced portion is deducted. Expenditure related to the routine maintenance of fixed assets is recognised in profit or loss when incurred.

(b) *Depreciation and impairment of fixed assets*

The Group’s amount of the original asset’s estimated net residual value (if any) is depreciated on the straight-line method over the estimated useful lives of the assets and is recognised in profit or loss. For fixed assets that have been withdrawn for impairment, the accumulated amount of provision for impairment of fixed assets is deducted when depreciation is provided. Construction in progress is not depreciated.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.11 Property, plant and equipment (Continued)

(b) Depreciation and impairment of fixed assets (Continued)

The estimated useful lives, depreciation rates and estimated residual value rate of fixed assets are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	20 years	3%	4.85%
Motor vehicles	5 years	3%	19.40%
Equipment	5-10 years	3%	9.70%-19.40%

The residual values and useful lives of assets are reviewed at least annually.

The impairment of the Group's fixed assets is treated in accordance with the accounting policy in Note 3.14.

(c) Disposal of fixed assets

The gain or loss arising from the retirement or disposal of the fixed assets is the difference between the net disposal proceeds and the carrying amount of the assets and is recognised in profit or loss on the date of retirement or disposal.

(d) Construction in progress

The cost of construction in progress is determined based on actual project expenditure, including all necessary engineering expenses incurred during construction and other related expenses.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

3.12 Intangible assets

Intangible assets mainly include computer software, which is initially recognised at cost. The Group's amount of the intangible asset's estimated net residual value (if any) is amortised on the straight-line method and recognised in profit or loss. When it is amortised, the intangible assets that have been withdrawn for impairment are deducted from the accumulated amount of impairment provision.

The impairment of the Group's intangible assets is treated as described in Note 3.14.

3.13 Repossessed assets

Repossessed assets are initially recognised at fair value plus related costs when they are obtained as the compensation for the loans, advances and interest receivable. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is written down immediately to its recoverable amount.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. The recoverable amount is estimated for assets with signs of impairment. If there are indications that an asset is impaired, but it is difficult to estimate the recoverable amount of the individual asset, the Group will assess the recoverable amount based on cash-generating unit that the asset belongs to. The cash-generating unit is the smallest portfolio of assets that the Group can identify, and the cash flow generated is essentially independent of other assets or portfolios of assets.

The recoverable amount refers to the higher value between the fair value of the assets (or cash-generating units, cash-generating unit groups) minus the disposal expenses and the present value of the estimated future cash flows of the assets. When estimating the present value of future cash flows of the assets, the Group considers factors such as the estimated future cash flows, useful life spans and discount rates.

3.15 Employee benefits

Employee benefits refer to the various forms of remuneration and other relevant payments given to employees due to the services they provide. The Group recognised the wages payable in operation and management fees during the employees provide service.

(a) *Defined contribution plans and defined benefit plans*

In accordance with the policies of relevant state and local governments, employees in Mainland China participate in various defined contribution retirement schemes administered by local labour and social security bureaus. Operations in Chinese mainland contribute to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates stipulated in the relevant local regulations. Above pension and insurance expenses are recognised in current profits and losses in accordance with accrual basis principle. Upon retirement, the local labour and social security bureaus are responsible for the payment of the basic retirement benefits to the retired employees.

In addition to these basic staff pension schemes, employees in Mainland China who retired can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan"). The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries.

(b) *Housing funds and other social insurance expenses*

The Group pays housing funds, basic medical insurances, unemployment insurances, employment injury insurances and maternity insurance etc. for in-service employees pursuant to relevant laws, regulations and policies. The Group pays housing funds and above social insurance expense monthly based on a certain proportion of payment basis to relevant departments and recognises them in current profits and losses in accordance with accrual basis principle.

The Group participates social security schemes established by government, such as medical insurances, housing funds and other social security schemes. The Group has also participated medical insurance schemes issued by commercial insurance companies since October 2012.

(c) *Early retirement benefits*

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date. The differences arise from changes in evaluation assumptions and adjustments to benefits standards are recognised in current profits and losses when they occur.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

3.17 Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

3.18 Fiduciary activities

The asset custody services of the Group refer to the service that the Group signs custody agreements with clients such as commercial banks, securities companies, fund companies, insurance companies, and annuity plans, etc. and manage assets for clients as trustee. Since the group gets paid in return of its job as stated by the fiduciary agreement but is not involved with the risk and revenue resulted by the management of the asset being custodied, fiduciary activities of the Group is treated as an off-balance-sheet item. The entrusted loans services refer to the service that the Group signs entrusted loans agreements with clients, and the clients provide fund ("entrusted loans fund") to the Group, and the Group issues loans ("entrusted loans") to the third parties according to the instructions of clients. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

3.19 Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

3.20 Interest income and expense

The "interest income" and "interest expense" in the Group's income statement are the interest income and expense from financial assets using the effective interest rate method at amortised cost, financial assets at fair value with changes recognised through other comprehensive income and financial liabilities at amortised cost.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

For the financial assets acquired or originated with credit impairment, the Group calculates the interest income according to the amortised cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.20 Interest income and expense (Continued)

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortised cost and the effect interest rate of the financial assets.

3.21 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued in accordance with the actual progress. For other services, fee and commission income are recognised when the transactions are completed.

3.22 Current and deferred income tax

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the current income statement as income expense or revenue except to the extent that it relates to transactions or items directly recognised in equity. In these cases, tax is also directly recognised in equity.

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

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation of Property, plant and equipment, provisions for pension, retirement benefits and salary payables.

“Deferred income tax assets” are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

For deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax liabilities on taxable temporary differences arising from investment in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.23 Leases

The Group assesses at contract inception whether a 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. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to receive almost all of the economic benefits arising from the use of the identified assets and have the right to dominate the use of identified assets during the period of use.

3.23.1 Recognition of individual leases

When a contract contains several separate leases, the Group splits the contract and accounts for each lease separately. The right to use an identified asset constitutes a separate lease under the contract if the following conditions are met simultaneously.

- (1) The lessee can profit from the use of the asset alone or in conjunction with other resources that are readily available.
- (2) The asset is not highly dependent or highly related to other assets in the contract.

3.23.2 Spin-off of leased and non-leased parts

For a contract that is, or contains, a lease, the Group account for each lease component within the contract as a lease separately from non-lease components of the contract.

3.23.3 Evaluation of lease term

The lease term is the period during which the Group is entitled to use the leased asset and the right is irrevocable. If the Group has the option to renew the lease, that is, it has the right to choose to extend the lease and it is reasonably determined that the option will be exercised, the lease term includes the period covered by the renewal option. If the Group has the option to terminate the lease, that is, has the right to choose to terminate the lease of the asset, but it is reasonably expected that the option will not be exercised, the lease period does not exclude the period covered by the termination lease option. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.23 Leases (Continued)

3.23.4 Group as a lessee

3.23.4.1 Right-of-use assets

The Group's right-of-use assets consist of buildings, vehicles, electronic and other equipment and land use rights.

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.23.4.2 Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term, except short-term leases and leases of low-value assets. In calculating the present value of lease payments, the Group uses internal interest rate, or incremental borrowing rate when internal interest rate is not obtainable. The Group uses fixed interest rate to calculate interest expense on lease liabilities and recognises profit or loss. Variable lease payments, not included in lease liabilities, are recognised as profit or loss when made.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a change in lease payments, estimated payable amounts of guarantee residual value, discount rate, or situations that influence the Group's decision whether to exercise purchase options, extension options, or termination options.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.23 Leases (Continued)

3.23.4 Group as a lessee (Continued)

3.23.4.3 Changes in leases

Changes in lease are the changes in the lease scope, lease consideration, and lease duration. Lease changes include the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term in the contract.

When the following conditions are met, the Group regards the change as a separate lease change in the process of accounting treatment.

- (1) The lease change expands the scope of the lease by adding the right to use one or more leased assets;
- (2) The increase in consideration is equivalent to the price of the additional part of the lease scope.

If the lease change is not regarded as a separate change, on the effective date of the lease change, the Group re-determines the lease term and calculates the present value of the lease payment to remeasure the lease liability. In the process of calculating the present value of lease payments after the change, the Group refers to the interest rate implicit in lease in the remaining lease period as the discount rate. If the leased interest rate is not available, the Group adopts incremental borrowing rate to calculate the present value of lease payment. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Based on the above lease adjustment, the Group distinguishes the following situations for accounting treatment.

- (1) If the lease change leads to a short lease term or small lease scope, the Group reduces the book value of right-of-use assets to represent the partial or complete termination of lease. The relevant gain or loss of termination are included in current profits and losses.
- (2) In terms of other lease changes, the Group adjusts the book value of the right-of-use asset accordingly.

3.23.4.4 Short-term leases and leases of low-value assets

The Group recognises leases without purchase options that do not exceed 12 months as short-term leases; Leases are regarded as low-value asset leases if the cost of a single leased asset does not exceed RMB30,000. In each period of the lease term, the relevant asset costs or expenses are calculated in accordance with the straight-line method, and the contingent rent is included in the current profit or loss when it actually occurs.

3.23.5 Group as a lessor

A lease that essentially transfers almost all the risks and returns associated with the ownership of the leased asset on the start date of the lease is a finance lease. All other leases are operating leases.

3.23.5.1 As a lessor of financial leases

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Variable lease payments that are not included in lease receivables are recorded in the profit or loss for the period when they actually occur.

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3. CRITICAL ACCOUNTING POLICIES (CONTINUED)

3.24 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or an associate or joint venture of fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate venture of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) 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); and
 - (viii) the legal person or other organization which is directly, indirectly or jointly controlled by the board of director, senior management of the Group and their closely related family members, or in which the person identified above is in charge of board of directors or senior management.

3.25 Segment reporting

The Group determines the operating divisions based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting divisions based on the operating divisions and discloses the information of the divisions.

The operating divisions are components in the Group where all of the following conditions apply:

- (1) the division generates income and expense in daily activities;
- (2) the management of the Group decides the resources allocation to the division and assessment of division's performance by regularly evaluating the operating performance;
- (3) the Group has access to relevant accounting information such as financial situation, operating performance, cash flow, etc.;

Two or more operating divisions are able to aggregate if they have similar economic characteristics and satisfy certain conditions.

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For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Impairment loss on financial assets

The Group measures the impairment losses on all financial assets in accordance with IFRS 9 including many estimates and judgments in the process, especially in determining the amount of impairment losses, estimating future contractual cash flows, the value of collateral and judging the significant increase in credit risk. The Group is affected by various factors in the measurement of impairment, which will result in different levels of impairment provision.

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs.

The accounting judgments and estimates used in the expected credit loss model include:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECLs
- Forward-looking information
- Modification of contractual cash flows

Impairment of non-financial assets (Except goodwill)

The Group judges whether there are indications of impairment of non-financial-and-non-current assets at the end of reporting period. Besides annual impairment tests, additional impairment tests will be carried out for intangible assets with indefinite operational life spans where exist indications of impairments. Other non-current assets are tested for impairment when there is an indication that the carrying amounts are not recoverable. When estimating the present value of future cash flows, management must estimate the future cash flows of the asset or asset group and select an appropriate discount rate to determine the present value of future cash flows.

Business combinations and goodwill

The identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the business combination not under the same control are measured at fair value on the combination date. The combination date refers to the date on which the acquirer obtains control of the acquiree's business. The fair value of the acquired assets, the liabilities to be undertaken, the consideration for merger and acquisition, and the estimation should be used when allocating the consideration for merger and acquisition of identifiable assets and liabilities. The fair value of the acquired identifiable assets and liabilities is determined by valuation techniques (including discounted cash flow model). The data used in the model is obtained from the observable market when possible, and judgement and estimation are required to determine the fair value only when it is not feasible. The group shall estimate the future cash flow and discount rate to calculate the fair value.

Impairment of goodwill

The group tests goodwill for impairment at least annually. This requires that the present value of the future cash flow of the asset group or combination of asset groups to which goodwill is allocated be estimated. When predicting the present value of future cash flow, the group needs to predict the cash flow generated by the future asset group or combination of asset groups, and select the appropriate discount rate to determine the present value of future cash flow. See Note 28 for details.

Notes to the Consolidated Financial Statements

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(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Fair value of derivatives and other financial instruments

The Group establishes the fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible, these models use observable market inputs and data including, for example, interest rate yield curves, foreign exchange rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

With respect to the PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms in similar transactions in which the PRC government engages or which are directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

Early retirement benefit obligations

The Bank has established liabilities in connection with benefits payable to early retired employees. These amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, inflation rates, and other factors. Actual results that differ from the assumptions are recognised immediately and, therefore, affect recognised expense in the year in which the differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Bank's expense related to its employee early retirement benefit obligations.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that whether adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Business model

The classification of financial assets at the time of initial recognition depends on the business model of the group in managing financial assets. When judging the business model, the group considers the ways of enterprise evaluation and reporting the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, as well as the ways of relevant business management personnel getting remuneration, etc. When evaluating whether the target is to collect the contract cash flow, the group needs to analyse and judge the reason, time, frequency and value of the sale of financial assets before the maturity date.

Characteristics of the contractual cash flow

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of principal and interest based on outstanding principal, including the correction of time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with prepayment characteristics, it is necessary to judge whether the fair value of prepayment characteristics is very small.

Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes account of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as direct investment income, remuneration and exposure to loss from providing credit enhancement or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

5. TAXATION

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
Corporate income tax	Taxable income	25%
Value-added tax	Taxable added value (tax payable is calculated by multiplying taxable sales revenue with applicable tax rate, then deducting input tax that can be credited of this period)	3%、5%、6%、9%、13%
City construction and maintenance tax	VAT payable	5%、7%
Education surcharges	VAT payable	3%

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For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

6 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

	As at 31 December 2023	As at 31 December 2022
Assets		
Cash and balances with central bank	98,182,858	104,268,932
Deposits with banks and other financial institutions	9,004,436	7,573,430
Placements with banks and other financial institutions	41,028,273	23,895,404
Derivative financial assets	100,201	129,682
Financial assets held under resale agreements	24,033,046	12,658,904
Loans and advances to customers	842,713,816	731,031,594
Financial Investments		
– Financial assets at fair value through profit or loss	174,384,530	121,900,793
– Financial assets at fair value through other comprehensive income	165,439,136	136,776,582
– Financial assets at amortised cost	341,137,274	334,125,407
Investments in subsidiaries	3,809,133	3,809,133
Investments in associates	5,151,471	4,923,502
Property, plant and equipment	4,336,185	4,401,340
Right-of-use assets	1,131,581	1,107,979
Goodwill	11,547,389	11,776,076
Deferred tax assets	12,921,713	12,958,767
Other assets	3,854,591	4,578,553
Total assets	1,738,775,633	1,515,916,078
Liabilities		
Borrowings from central bank	138,031,337	82,846,187
Deposits from banks and other financial institutions	164,949,830	123,929,794
Placements from banks and other financial institutions	3,609,032	3,966,949
Derivative financial liabilities	100,667	116,985
Financial assets sold under repurchase agreements	65,399,778	54,476,425
Deposits from customers	1,036,429,098	906,879,117
Taxes payable	1,501,918	2,798,989
Debt securities issued	180,648,206	214,948,859
Other liabilities	9,925,437	10,221,230
Total liabilities	1,600,595,303	1,400,184,535
Equity		
Share capital	13,889,801	13,889,801
Other equity instruments	19,999,357	9,999,811
Capital reserve	15,221,300	15,221,300
Surplus reserve	19,948,581	17,404,333
General reserve	16,297,460	14,408,760
Other comprehensive Income	2,091,404	886,774
Retained earnings	50,732,427	43,920,764
Total equity	138,180,330	115,731,543
Total equity and liabilities	1,738,775,633	1,515,916,078

Yan Chen

Chairman

Kong Qinglong

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

6 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total equity
As at 1 January 2023	13,889,801	9,999,811	15,221,300	17,404,333	14,408,760	886,774	43,920,764	115,731,543
(1) Comprehensive income								
Profit for the year	-	-	-	-	-	-	13,526,395	13,526,395
Other comprehensive income, net of tax	-	-	-	-	-	1,013,312	-	1,013,312
Asset impairment through other comprehensive income	-	-	-	-	-	233,826	-	233,826
OCI accrued under the equity method	-	-	-	-	-	(42,508)	-	(42,508)
Total comprehensive income for the year	-	-	-	-	-	1,204,630	13,526,395	14,731,025
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(2,281,784)	(2,281,784)
Perpetual bonds issued	-	9,999,546	-	-	-	-	-	9,999,546
Appropriation to surplus reserve	-	-	-	2,544,248	-	-	(2,544,248)	-
Appropriation to general reserve	-	-	-	-	1,888,700	-	(1,888,700)	-
(3) Changes in share capital								
Capital contribution and reduction by other equity instruments holders	-	-	-	-	-	-	-	-
As at 31 December 2023	13,889,801	19,999,357	15,221,300	19,948,581	16,297,460	2,091,404	50,732,427	138,180,330
As at 1 January 2022	13,889,801	9,999,811	15,221,300	15,180,759	12,961,130	1,515,986	37,402,081	106,170,868
(1) Comprehensive income								
Profit for the year	-	-	-	-	-	-	11,916,079	11,916,079
Other comprehensive income, net of tax	-	-	-	-	-	(943,822)	-	(943,822)
Asset impairment through other comprehensive income	-	-	-	-	-	313,748	-	313,748
OCI accrued under the equity method	-	-	-	-	-	862	-	862
Total comprehensive income for the year	-	-	-	-	-	(629,212)	11,916,079	11,286,867
(2) Profit distribution								
Dividends	-	-	-	-	-	-	(1,726,192)	(1,726,192)
Perpetual bonds issued	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	2,223,574	-	-	(2,223,574)	-
Appropriation to general reserve	-	-	-	-	1,447,630	-	(1,447,630)	-
(3) Changes in share capital								
Capital contribution and reduction by other equity instruments holders	-	-	-	-	-	-	-	-
As at 31 December 2022	13,889,801	9,999,811	15,221,300	17,404,333	14,408,760	886,774	43,920,764	115,731,543

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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7 NET INTEREST INCOME

	2023	2022
Interest income		
Balances with central bank	1,230,777	1,149,681
Deposits and placements with banks and other financial institutions	1,526,100	1,100,862
Loans and advances to customers	38,227,201	35,223,646
Investment securities	19,729,165	19,336,521
Finance lease	4,279,207	4,151,516
Total	64,992,450	60,962,226
Unwinding of discount on allowance	77,928	130,041
Interest expense		
Borrowings from central bank ^(a)	(2,063,432)	(1,611,147)
Deposits and placements from banks and other financial institutions	(7,146,374)	(6,809,293)
Deposits from customers	(21,977,255)	(18,710,712)
Debt securities issued	(5,085,184)	(5,126,413)
Total	(36,272,245)	(32,257,565)
Net interest income	28,720,205	28,704,661

- (a) Borrowings from the central bank include general borrowings from the People's Bank of China ("the PBOC"), rediscounted bills held under repurchase agreements, re-lending to support micro, carbon emission reduction support tool, medium-term lending facility.

8 NET FEE AND COMMISSION INCOME

	2023	2022
Fee and commission income		
Settlement and clearing fees	169,806	128,557
Guarantee and commitment fees	649,335	613,740
Investment banking fees	652,529	616,139
Custody fees	717,563	646,878
Bank card fees	158,225	70,788
Acquiring business fees	23,299	21,986
Agency commissions	785,382	2,401,887
Others	66,518	82,814
Total	3,222,657	4,582,789
Fee and commission expense	(417,422)	(402,898)
Net fee and commission income	2,805,235	4,179,891

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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9 NET TRADING GAINS/(LOSSES)

	2023	2022
Net gain/(loss) from foreign exchange	69,956	(30,319)
Net gain from interest rate instruments	3,679,152	2,167,863
Net loss from goods traded	(147,682)	(18,371)
Total	3,601,426	2,119,173

Net gains/(losses) from financial investments mainly include gains arising from fair value changes of financial assets and liabilities at fair value through profit or loss.

10 NET GAINS ON FINANCIAL INVESTMENTS

	2023	2022
Net gains from financial assets at fair value through profit or loss	62,819	559,307
Net gains from financial assets at fair value through other comprehensive income	360,540	164,313
Net (loss)/gain from financial assets at amortised cost	189,413	7,161
Other	(3,507)	14,818
Total	609,265	745,599

All the net gains recognised from the derecognition of financial assets measured at amortised cost are resulted from trading for the year ended 31 December 2023.

11 OTHER OPERATING INCOME, NET

	2023	2022
Net gains on bills	42,418	188,168
Government subsidy	516,089	231,969
Others	66,062	53,780
Total	624,569	473,917

12 OPERATING EXPENSES

	2023	2022
Staff cost (Note 13)	(5,939,601)	(5,580,217)
Business tax and surcharges	(422,316)	(418,264)
General operating and administrative expenses	(2,488,532)	(2,283,334)
Operating lease rental expenses	(49,497)	(33,861)
Depreciation of property, plant and equipment (Note 26)	(418,398)	(416,016)
Depreciation for right-of-use assets (Note 27)	(356,162)	(368,293)
Amortisation expenses for long-term prepaid expenses	(95,615)	(86,877)
Amortisation expenses for intangible assets (Note 30(b))	(209,221)	(164,694)
Auditors' remuneration	(5,450)	(5,350)
– Audit services	(5,150)	(5,150)
– Non-audit services	(300)	(200)
Others	(214,576)	(117,556)
Subtotal	(10,199,368)	(9,474,462)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

13 STAFF COST

	2023	2022
Salaries, bonuses, allowances and subsidies	(4,274,795)	(4,021,098)
Pension costs	(676,511)	(609,729)
Labor union fee and staff education fee	(112,566)	(106,701)
Other social insurance and welfare costs	(875,729)	(842,689)
Subtotal	(5,939,601)	(5,580,217)

Five highest paid individuals

The five highest paid individuals of the Group are members of the Bank, who are not the directors or supervisors listed in Note 14(a). Their emoluments are determined by and referred to current market level in the region where the Bank is located. Details of the five highest paid individuals' emoluments are listed below:

	2023	2022
Salaries, allowances and benefits	8,768	8,361
Contribution to pension schemes	312	277
Discretionary bonuses	5,140	5,387
Subtotal	14,220	14,025

The remuneration of such persons falls within the following ranges:

	2023	2022
RMB0-RMB1,000,000	-	-
RMB1,000,001-RMB1,500,000	-	-
RMB1,500,001-RMB2,000,000	-	-
RMB2,000,001-RMB2,500,000	-	-
RMB2,500,001-RMB3,000,000	5	4
RMB3,000,001-RMB3,500,000	-	1
Subtotal	5	5

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	2023					Total
	Fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Other	
Executive Directors						
Yan Chen ^{(1)(15)(*)}	-	737	96	-	-	833
Kong Qinglong ^{(27)(31)(*)}	-	658	80	-	-	738
Non-executive Directors						
Ma Lingxiao ⁽¹⁶⁾	-	-	-	-	-	-
Wang Zhaoyuan ⁽¹⁶⁾⁽³⁰⁾	-	-	-	-	-	-
Zhou Yana ⁽⁵⁾⁽⁶⁾⁽¹⁴⁾	240	-	-	-	-	240
Wu Tian ⁽⁶⁾	-	-	-	-	-	-
Gao Yang ⁽⁶⁾	-	-	-	-	-	-
Wang Wenjin ⁽⁶⁾⁽¹⁴⁾	-	-	-	-	-	-
Zhao Zongren ⁽⁶⁾	-	-	-	-	-	-
Dai Peikun ⁽⁶⁾⁽¹⁴⁾	-	-	-	-	-	-
Liu Zhiqiang ⁽⁶⁾	-	-	-	-	-	-
Yin Jianfeng ⁽⁶⁾	240	-	-	-	-	240
Huang Aiming ⁽⁶⁾⁽⁸⁾	240	-	-	-	-	240
Xu Jiabin ⁽¹⁷⁾⁽²²⁾	240	-	-	-	-	240
Shao Dehui ⁽²¹⁾⁽²⁴⁾	-	-	-	-	-	-
Zuo Dunli ⁽²⁵⁾⁽²⁶⁾	-	-	-	-	-	-
Wang Zhaohui ⁽³³⁾⁽³⁴⁾	-	-	-	-	-	-
Supervisors						
He Jiehua ^{(9)(10)(13)(*)}	-	737	96	61	-	894
Tang Chuan ⁽¹⁾⁽²⁸⁾	-	-	-	-	-	-
Zhong Qiushi ⁽²⁾	-	1,429	100	99	-	1,628
Sun Zhen ⁽¹³⁾	-	1,630	100	37	-	1,767
Chen Rui ⁽⁷⁾	-	-	-	-	-	-
Dong Xiaolin ⁽⁷⁾	200	-	-	-	-	200
Zhai Shengbao ⁽¹²⁾⁽²⁹⁾	70	-	-	-	-	70
Zhou Zejiang ⁽¹²⁾	200	-	-	-	-	200
Wang Anning ⁽³²⁾	-	-	-	-	-	-
Han Dongya ⁽³²⁾	115	-	-	-	-	115
Total	1,545	5,191	472	197	-	7,405

(*) The total compensation packages for executive directors and supervisors for the year ended 31 December 2023 including discretionary bonuses have not yet been finalised in accordance with the relevant regulations of the PRC authorities, and further disclosure will be made after the confirmation of the final remuneration. The pre- and post-approval variances are not expected to have any significant impact on the Group's 2023 financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

Name	2022					Total
	Fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Other	
Executive Directors						
Yan Chen ^{(1)(15)(*)}	–	677	96	–	–	773
Zhang Renfu ^{(3)(4)(6)(23)(*)}	–	677	96	109	–	882
Non-executive Directors						
Ma Lingxiao ⁽¹⁶⁾	–	–	–	–	–	–
Wang Zhaoyuan ⁽¹⁶⁾⁽³⁰⁾	–	–	–	–	–	–
Zhou Yana ⁽⁵⁾⁽⁶⁾⁽¹⁴⁾	240	–	–	–	–	240
Zhu Yicun ⁽⁶⁾⁽¹⁹⁾	–	–	–	–	–	–
Wu Tian ⁽⁶⁾	–	–	–	–	–	–
Qian Dongsheng ⁽⁶⁾⁽²⁰⁾	–	–	–	–	–	–
Gao Yang ⁽⁶⁾	–	–	–	–	–	–
Wang Wenjin ⁽⁶⁾⁽¹⁴⁾	–	–	–	–	–	–
Zhao Zongren ⁽⁶⁾	–	–	–	–	–	–
Dai Peikun ⁽⁶⁾⁽¹⁴⁾	–	–	–	–	–	–
Liu Zhiqiang ⁽⁶⁾	–	–	–	–	–	–
Yin Jianfeng ⁽⁶⁾	240	–	–	–	–	240
Huang Aiming ⁽⁶⁾⁽⁸⁾	240	–	–	–	–	240
Xu Jiabin ⁽¹⁷⁾⁽²²⁾	140	–	–	–	–	140
Shao Dehui ⁽²¹⁾⁽²⁴⁾	–	–	–	–	–	–
Supervisors						
He Jiehua ^{(9)(10)(13)(*)}	–	678	96	61	–	835
Tang Chuan ⁽¹⁾⁽²⁸⁾	–	1,811	140	–	–	1,951
Zhong Qiushi ⁽²⁾	–	1,449	117	153	–	1,719
Sun Zhen ⁽¹³⁾	–	1,444	117	92	–	1,653
Chen Rui ⁽⁷⁾	–	–	–	–	–	–
Dong Xiaolin ⁽⁷⁾	185	–	–	–	–	185
Zhai Shengbao ⁽¹²⁾⁽²⁹⁾	200	–	–	–	–	200
Zhou Zejiang ⁽¹²⁾	200	–	–	–	–	200
Hu Jing ⁽⁷⁾⁽¹⁸⁾	–	–	–	–	–	–
Total	1,445	6,736	662	415	–	9,258

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For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

- (1) The Bank issued an announcement on March 6, 2018, that the Bank had elected Mr. Tang Chuan as the staff Supervisor of the third term of the Board of Supervisors of the Bank in accordance with the democratic election procedures of the Bank's staff on that day. Mr. Tang Chuan's term of office will coincide with the third term of the Supervisory Board.
- (2) The Bank issued an announcement on 15 June 2018 that the Bank had elected Mr. Zhong Qiushi as the staff Supervisor of the third term of the Board of Supervisors of the Bank in accordance with the democratic election procedures of the Bank's staff on the same day. Mr. Zhong Qiushi's term of office will coincide with the third term of the Supervisory Board.
- (3) The Bank issued an announcement on July 25, 2018, on which day the Bank received the resignation of Mr. Zhang Renfu, the Chief Supervisor of the Bank, who resigned as the Chief Supervisor of the Bank, a member of the Nomination Committee of the Board of Supervisors, a member of the Supervisory Committee of the Board of Supervisors and a staff supervisor due to internal job changes, with effect from July 25, 2018.
- (4) The Bank issued an announcement on 2 August 2018, and the Board of Directors held a meeting on the same day and passed a resolution to appoint Mr. Zhang Renfu as the President of the Bank and also nominated Mr. Zhang Renfu as a candidate for the Executive Director of the Third Session of the Board of Directors of the Bank. The Bank received on August 23, 2018 the "Approval Reply from Anhui Supervisory Bureau of China Banking Regulatory Commission on Zhang Renfu's Qualification for Appointment". Pursuant to such approval, the former Anhui Regulatory Bureau of the former China Banking Regulatory Commission approved the qualification of Mr. Zhang Renfu to serve as the President of the Bank.
- (5) The Bank issued an announcement on 22 August 2018 and the 2017 Annual General Meeting of the Bank was held on 30 June 2018, at which the motion to elect Ms. Zhou Yana as an independent non-executive Director of the third term of the Board of Directors of the Bank was considered and approved. On 21 August 2018, the Bank received the "Reply of the Anhui Supervision Bureau of the China Banking Regulatory Commission regarding Zhou Yana's qualifications". According to the reply, the former Anhui Regulatory Bureau of the China Banking Regulatory Commission approved Ms. Zhou's qualification to serve as an independent non-executive director of the Bank.
- (6) The extraordinary General Meeting of the Bank was held on 28 November 2018 and the motions proposed at the meeting relating to the replacement of the Board of Directors and the election of members of the fourth Board of Directors were passed. Among them, the appointment of the current Board members Mr. Gao Yang, Mr. Zhao Zongren and Ms. Zhou Yana as directors shall take effect from the date of passing the relevant resolution at the extraordinary General meeting. The appointment of the new Board members, Mr. Zhang Renfu, Mr. Zhu Yicun, Mr. Wu Tian, Mr. Qian Dongsheng, Mr. Wang Wenjin, Mr. Dai Peikun, Mr. Yin Jianfeng, Ms. Huang Aiming, Mr. Hu Jun and Mr. Liu Zhiqiang, will take effect from the date of approval of their respective qualifications as directors by the regulatory authority. Among them, the qualifications of the nine new directors except Ms. Huang Aiming were approved by the former Anhui Banking and Insurance Regulatory Authority in December 2018, and the appointment of these directors has become effective on December 28, 2018.
- (7) The extraordinary General Meeting of the Bank was held on 28 November 2018 and the motions proposed at the meeting relating to the replacement of the Supervisory Board and the election of the members of the fourth Supervisory Board were passed. Mr. Chen Rui and Ms. Hu Jing were elected as new shareholder supervisors of the fourth Supervisory Board. Ms. Dong Xiaolin was elected as the new external supervisor of the fourth Board of Supervisors.
- (8) The Bank issued an announcement on 21 January 2019, on which day the Bank received a reply of approval from the former Anhui Banking and Insurance Regulatory Authority regarding Ms. Huang Aiming's appointment as an independent non-executive Director of the Bank with effect from 21 January 2019.

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

- (9) The Bank issued an announcement on 8 August 2019, the Bank's announcement dated 27 March 2019, the Circular and Notice of the Bank's 2018 Annual General Meeting dated 14 May 2019, and the announcement of the poll results of the General meeting dated 1 July 2019, relating to the election of Mr. He Jiehua as an Executive Director of the fourth term of the Board of Directors of the Bank, Mr. He Jiehua's qualifications as a director have been approved by the former Anhui Banking and Insurance Regulatory Bureau, and his qualifications as a director of the Bank have been approved.
- (10) The Bank issued an announcement on 13 August 2019 and the Board of Directors passed a resolution on 12 August 2019 to add Mr. He Jiehua, Executive Director, as a member of the Risk Management Committee of the fourth Term of the Board of Directors with effect from the same day.
- (11) The Bank announced on 19 December 2019 that it has recently received the approval reply from the former Anhui Banking and Insurance Regulatory Authority regarding Mr. Yan Chen's qualifications to serve as a director of the Bank, and his qualifications have been approved. Mr. Yan Chen's term of office as a Director is effective from 19 December 2019, and the appointment of members of his Development Strategy Committee and Risk Management Committee is also effective from the same date, and his term of office expires for the fourth term of office of the Board.
- (12) The Bank issued an announcement on 30 June 2020 that Mr. Zhai Shengbao and Mr. Zhou Zejiang were elected as external Supervisors of the Bank respectively at the Annual General Meeting for the same term of office as the fourth Supervisory Board of the Bank from the date of approval of the Annual General Meeting to the date of completion of the replacement of the fourth Supervisory Board.
- (13) The Bank issued an announcement on 15 July 2020 that in accordance with the Articles of Association of the Bank and the Rules of procedure of the Board of Supervisors, Mr. He Jiehua and Mr. Sun Zhen were elected as the staff Supervisors of the Bank on 13 July 2020 by the democratic procedures of the staff of the Bank, and their terms of office as the staff Supervisors of the Bank will expire on the same date and the date of the fourth Board of Supervisors of the Bank. The Board of Supervisors held the 18th meeting of the fourth Board of Supervisors on July 15, 2020, and elected Mr. He Jiehua as the Chief Supervisor, whose term of office is from the same date to expire on the date of the fourth Board of Supervisors' replacement.
- (14) The Bank issued an announcement on 27 August 2020 and the Board of Directors passed a resolution on the same day to add Mr. Qian Dongsheng, a non-executive Director, as a member of the Audit Committee of the fourth term of the Board of Directors with effect from the same date to expire on the date of the fourth term of the Board of Directors of the Bank. As of the date of this announcement, the members of the Audit Committee of the Bank include: Ms. Zhou Yana (Chairman), Mr. Wang Wenjin, Mr. Qian Dongsheng, Mr. Dai Peikun and Ms. Huang Aiming.
- (15) The Bank issued an announcement on 12 April 2021, and the Board of Directors of the Bank held a meeting on the same day, and Yan Chen was elected as the Chairman of the Bank for a term consistent with the fourth term of the Board of Directors, and he was converted from a non-executive director of the Bank to an executive director. At the same time, Mr. Yan Chen was elected as the Chairman of the Bank's Development Strategy and Consumer Rights Protection Committee and the Chairman of the Risk Management Committee, and as an additional member of the Bank's Personnel Nomination and Remuneration Committee with effect from the same day. The Bank announced on 30 July, 2021 that Mr. Yan Chen's qualification to serve as Chairman of the Bank has been approved by the former Anhui Banking and Insurance Regulatory Bureau.

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

- (16) The Bank issued an announcement on 30 June 2021 and the Bank held a general meeting on the same day, and Mr. Ma Lingxiao and Mr. Wang Zhaoyuan were elected as non-executive directors of the Bank respectively. The Bank announced on 29 October 2021 and 26 November 2021 respectively that the qualifications of Wang Zhaoyuan and Ma Lingxiao as non-executive Directors had been approved by the former Anhui Banking and Insurance Regulatory Authority respectively, and their terms of office as directors had taken effect on 28 October 2021 and 25 November 2021 respectively. The Board of Directors of the Bank met on 30 December 2021 and passed a resolution to add Mr. Ma Lingxiao and Mr. Wang Zhaoyuan, both non-executive Directors, as members of the Development Strategy and Consumer Rights Protection Committee of the fourth session of the Board of Directors of the Bank with immediate effect.
- (17) The Bank issued an announcement on 4 November 2021, the Notice and Circular of the First Extraordinary General Meeting of the Bank for 2021 dated 15 November 2021 and the Announcement of Poll Results of the General Meeting of Shareholders dated 30 December 2021 in relation to, among other things, the election of Mr. Xu Jiabin as an independent non-executive director of the Fourth Session of the Board of Directors of the Bank. On June 15, 2022, the Bank received the "Approval of Anhui Regulatory Bureau of China Banking and Insurance Regulatory Commission on the Qualification of Xu Jiabin". Pursuant to the approval, the former Anhui Banking and Insurance Supervision Bureau approved Mr. Xu Jiabin's qualification to serve as an independent non-executive director of the Bank. Mr. Xu Jiabin's term of office as a director will be effective from 15 June 2022 until the expiry of the term of office of the fourth session of the Board of Directors.
- (18) The Bank issued an announcement on 4 March 2022 that Ms. Hu Jing resigned as the Shareholders' Supervisor and member of the Nomination Committee of the Bank due to her busy schedule, with effect from 4 March 2022.
- (19) The Bank issued an announcement on 28 April 2022 that Mr. Zhu Yicun, a non-executive Director of the Bank, resigned as a non-executive Director of the Bank, a member of the Development Strategy and Consumer Rights Protection Committee and a member of the Risk Management Committee with effect from 28 April 2022 due to the need of his work.
- (20) The Bank issued an announcement on 16 May 2022 that Mr. Qian Dongsheng, a non-executive Director of the Bank, resigned as a non-executive Director of the Bank, a member of the Development Strategy and Consumer Rights Protection Committee, a member of the Audit Committee and a member of the Risk Management Committee with effect from 16 May 2022 due to job transfer.
- (21) The Bank issued an announcement dated 6 May 2022, the notice and circular of the 2021 annual general meeting of the Bank dated 13 May 2022 and 25 May 2022, respectively, and an announcement of the poll results of the annual general meeting of the Shareholders dated 30 June 2022 in relation to, among other things, the election of Ms. Shao Dehui as a non-executive director of the fourth session of the Board of Directors of the Bank. On October 26, 2022, the Bank received the "Approval from Anhui Regulatory Bureau of China Banking and Insurance Regulatory Commission on the Qualification of Shao Dehui". Pursuant to the approval, the former Anhui Banking and Insurance Regulatory Bureau approved Ms. Shao Dehui's qualification to serve as a non-executive director of the Bank. The term of office of Ms. Shao Dehui as a director shall be effective from 26 October 2022 until the expiry of the term of office of the fourth session of the Board of Directors.
- (22) The Bank issued an announcement on 27 July 2022 and the Board of Directors held a meeting on the same day and passed a resolution to appoint Mr. Xu Jiabin, an independent non-executive Director, as a member of the Personnel Nomination and Remuneration Committee and a member of the Risk Management Committee of the Fourth Session of the Board of Directors, and the aforementioned appointments shall take effect from the same date.

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

- (23) The Bank issued an announcement on 21 December 2022 that Mr. Zhang Renfu resigned as an Executive Director, the President, a member of the Development Strategy and Consumer Protection Committee, a member of the Personnel Nomination and Remuneration Committee and a member of the Connected Transactions Control Committee of the Bank with effect from 21 December 2022 as he has reached the statutory retirement age.
- (24) The Bank issued an announcement on 18 December 2022 and the Board of Directors held a meeting on the same day and passed a resolution to elect Ms. Shao Dehui, a non-executive Director, as a member of the Development Strategy and Consumer Protection Committee and a member of the Risk Management Committee of the Fourth Session of the Board of Directors, and the aforementioned appointments shall take effect from the same date.
- (25) The Bank issued an announcement dated 18 January 2023, an announcement dated 9 June 2022, a supplemental notice and circular of the 2021 annual general meeting of the Bank dated 10 June 2022 and an announcement of the poll results of the annual general meeting of the Shareholders dated 30 June 2022 in relation to, among other things, the election of Mr. Zuo Dunli as a non-executive director of the fourth session of the Board of Directors of the Bank. On January 16, 2023, the Bank received the "Approval Reply from Anhui Supervision Bureau of China Banking and Insurance Regulatory Commission on the Qualification of Zuo Dunli". Pursuant to the approval, the former Anhui Bureau of Banking and Insurance Supervision approved the qualification of Mr. Zuo Dunli as a non-executive director of the Bank. Mr. Zuo Dunli's term of office as a director will be effective from January 16, 2023 until the expiry of the term of office of the fourth session of the Board of Directors.
- (26) The Bank issued an announcement on 10 February 2023 that the Board of Directors held a meeting on 10 February 2023 and passed a resolution to elect Mr. Zuo Dunli, a Non-executive Director, as a member of the Development Strategy and Consumer Protection Committee, a member of the Audit Committee and a member of the Risk Management Committee of the Fourth Session of the Board of Directors, and the aforesaid appointments shall take effect from the same date.
- (27) The Bank issued an announcement on 10 February 2023 that the Board of Directors of the Bank held a meeting on the same day and passed a resolution to appoint Mr. Kong Qinglong as the President of the Bank and also recommended the appointment of Mr. Kong Qinglong as an executive director of the fourth session of the Board of Directors of the Bank. The qualification of Mr. Kong Qinglong as the President of the Bank is subject to the approval of the former Anhui Supervisory Bureau of China Banking and Insurance Regulatory Commission ("Anhui Supervisory Bureau"). The Board has agreed that Mr. Kong Qinglong will act as the President of the Bank until the former Anhui Banking and Insurance Supervision Bureau approves Mr. Kong Qinglong's qualification for the office of the President of the Bank. The Bank made an announcement on 12 April 2023 that Mr. Kong Qinglong was elected as an executive director of the Bank at the Extraordinary General Meeting of the Bank on that day and his term of office as a director will be consistent with the fourth session of the Board of Directors of the Bank, commencing from the date on which the former Anhui Banking and Insurance Supervisory Bureau approves his qualification for the office to the date on which the term of office of the fourth session of the Board of Directors of the Bank expires. The Bank announced on April 14, 2023 that on April 13, 2023, the Bank received the "Approval Reply from Anhui Supervisory Bureau of China Banking and Insurance Regulatory Commission on the Qualification of Kong Qinglong for Appointment". According to the approval, the former Anhui Banking and Insurance Supervision Bureau approved Mr. Kong Qinglong's eligibility to serve as the President of the Bank. Mr. Kong Qinglong's qualification for appointment as President became effective on the same day. The Bank issued an announcement on May 31, 2023 and received the "Approval Reply from Anhui Supervision Bureau of China Banking and Insurance Regulatory Commission on the Qualification of Mr. Kong Qinglong for Appointment" on the same day. Pursuant to such approval, the former Anhui Banking and Insurance Supervision Bureau has approved the qualification of Mr. Kong Qinglong to serve as an executive director of the Bank.

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14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

- (28) The Bank issued an announcement on 20 March 2023 that Mr. Tang Chuan, an employee supervisor of the Bank, submitted his resignation to the Supervisory Committee of the Bank on 20 March 2023, requesting to resign from his positions as an employee supervisor and a member of the Nomination Committee of the Supervisory Committee of the Bank, with his resignation to take effect from 20 March 2023, as he has reached the statutory retirement age.
- (29) The Bank issued an announcement on 15 May 2023 that Mr. Zhai Shengbao, the external Supervisor of the Bank, has recently submitted his resignation to the Supervisory Board of the Bank as the external Supervisor and the Chairman of the Supervisory Committee of the Supervisory Board of the Bank due to changes in his job and his resignation will be effective on the date of the formal appointment of the successor external Supervisor by the Bank.
- (30) The Bank issued an announcement on 26 June 2023 that Mr. Wang Zhaoyuan, a non-executive Director of the Bank, resigned as a Non-executive Director of the Bank and a member of the Development Strategy and Consumer Rights Protection Committee with effect from 26 June 2023 due to job transfer.
- (31) The Bank issued an announcement on 29 June 2023 that the Board of Directors held a meeting on 29 June 2023 and passed a resolution to elect Mr. Kong Qinglong, an executive Director, as a member of the Development Strategy and Consumer Protection Committee, a member of the Personnel Nomination and Remuneration Committee and a member of the Connected Transaction Control Committee of the Fourth Session of the Board of Directors, and that the aforesaid appointments shall take effect from the same date.
- (32) The Bank issued an announcement on 30 June 2023 that Mr. Wang Anning and Mr. Han Dongya were elected as Shareholder Supervisors and External Supervisors of the Bank respectively at the Annual General Meeting for the same term of office as the Fourth Supervisory Board from the date of approval at the Annual General Meeting until the fourth Supervisory Board changes.
- (33) The Bank issued an announcement dated 23 November 2023, the Bank's announcement dated 31 July 2023, the notice and circular of the Bank's Second Extraordinary General Meeting of 2023 dated 1 August 2023 and the announcement of the poll results of the General Meeting of Shareholders dated 15 September 2023 relating to, among other things, the election of Mr. Zhaohui Wang as a non-executive director of the fourth session of the Board of Directors of the Bank. Director. On November 22, 2023, the Bank received the "Approval of the Anhui Supervision Bureau of the State Financial Supervision and Administration of the PRC on the Qualification of Mr. Wang Zhaohui for Appointment". Pursuant to such approval, the Anhui Supervisory Bureau of the State Financial Supervision and Administration has approved the qualification of Mr. Wang Zhaohui to serve as a non-executive director of the Bank.
- (34) The Bank issued an announcement on 20 December 2023 that the Board of Directors held a meeting on 20 December 2023 and passed a resolution to elect Mr. Wang Zhaohui, a non-executive director of the Bank, as a member of the Fourth Session of the Board of Directors' Committee on Development Strategies and Consumer Protection, and his appointment shall take effect with immediate effect.

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(All amounts expressed in thousands of RMB unless otherwise stated)

14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) Retirement benefits for directors and supervisors

For the year ended 31 December 2023, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2022: none).

(c) Termination benefits for directors and supervisors

For the year ended 31 December 2023, no early termination compensations were paid to the directors or supervisors by the Group (2022: none).

(d) Consideration provided to third parties

For the year ended 31 December 2023, no consideration was paid to third parties that previously hired the Group's current directors and supervisors (2022: none).

(e) Material interests in transactions, arrangements or contracts with directors and supervisors.

For the year ended 31 December 2023, the Group has not entered into any significant transactions, arrangements or contracts in which the directors and supervisors of the Group have material interests directly or indirectly in the Group's business (2022: none).

15 IMPAIRMENT LOSSES ON CREDITS

	2023	2022
Loans and advances		
– At amortised cost	(7,851,379)	(5,904,688)
– Stage 1	(4,419,305)	(2,565,984)
– Stage 2	492,926	(207,141)
– Stage 3	(3,925,000)	(3,131,563)
– At fair value through other comprehensive income	(61,849)	(4,397)
– Stage 1	(72,492)	3,974
– Stage 2	10,643	(8,371)
Financial investments		
– Financial assets at amortised cost	833,735	664,647
– Financial assets at fair value through other comprehensive income	(251,160)	(414,381)
Credit commitments	(361,041)	263,562
Deposits with banks and other financial institutions	16	9,800
Placements with and loans to banks and other financial institutions	(21,789)	3,356
Financial assets held under resale agreements	2,881	(112,709)
Finance lease receivables (Note 29)	(870,311)	(1,271,723)
Other assets	11,246	(103,708)
Total	(8,569,651)	(6,870,241)

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(All amounts expressed in thousands of RMB unless otherwise stated)

16 INCOME TAX EXPENSE

	2023	2022
Current income tax		
– Chinese mainland income tax	(3,671,136)	(4,460,735)
Deferred tax (Note 38)	1,004,780	828,663
Total	(2,666,356)	(3,632,072)

The provision for Mainland China income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	2023	2022
Profit before tax	17,656,906	17,315,141
Tax calculated at the applicable statutory tax rate of 25%	(4,414,226)	(4,328,786)
Tax effect arising from income not subject to tax ^(a)	2,470,185	2,122,697
Tax effect of items such as expenses not deductible for tax purposes ^(b)	(723,046)	(1,432,179)
Tax filing differences from previous years	(11,901)	(841)
Available deductible loss from previous years ^(c)	12,632	7,037
Income tax expense	(2,666,356)	(3,632,072)

- (a) Non-taxable income mainly represents interest income arising from PRC treasury bonds and fund dividend income which are tax free according to PRC tax regulations.
- (b) The items that are not deductible for tax purposes mainly represent non-deductible impairment losses, marketing and entertainment expenses deductible loss and non-deductible written off loan in excess of the relevant deductible threshold under the relevant PRC tax regulations.
- (c) The subsidiary of the Group, Wuwei Huiyin Village and Township Bank Co., Ltd. had a tax profit for the year and therefore utilized the deductible losses from previous years.

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17 EARNINGS PER SHARE (BASIC AND DILUTED)

- (a) Basic earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the reporting period.

	2023	2022
Net profit attributable to shareholders of the Bank (in RMB thousands)	14,433,227	13,397,600
Interest payments on perpetual bonds announced for the year	490,000	490,000
Weighted average number of ordinary shares in issue (in RMB thousands)	13,889,801	13,889,801
Basic earnings per share (in RMB)	1.00	0.93

When calculating basic earnings per share for ordinary shares, the dividend of preference shares issued in the current year shall be deducted from the net profit attributable to the shareholders of the Bank. The Bank issued perpetual bonds in November 2019 and October 2023 with an issue size of \$10 billion and \$10 billion, respectively, and for the year 2023, the Bank declared to pay interest of RMB490,000 thousand on the perpetual bonds. (For the year 2022, the Bank declared to pay interest on perpetual bonds of RMB490,000 thousand.)

- (b) **Diluted earnings per share**

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended 31 December 2023 and 31 December 2022.

18 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December 2023	As at 31 December 2022
Cash	1,188,976	1,089,606
Statutory reserves ^(a)	71,065,750	68,086,716
Surplus reserves ^(b)	26,316,702	35,477,802
Subtotal	98,571,428	104,654,124
Interest receivable	40,335	39,486
Total	98,611,763	104,693,610

- (a) The Group places statutory deposit reserves with the PBOC. The statutory deposit reserves are not available for use in the Group's daily business.

As at 31 December 2023 and 31 December 2022, the statutory deposit reserve rates of the Bank were as follows:

	As at 31 December 2023	As at 31 December 2022
Statutory reserve rate for RMB deposits	7.00%	7.50%
Statutory reserve rate for foreign currency deposits	4.00%	6.00%

As at 31 December 2023, statutory reserve rates for Jinzhai Huiyin Village and Township Bank Co., Ltd. ("Jinzhai Huiyin") and Wuwei Huiyin Village and Township Bank Co., Ltd. ("Wuwei Huiyin") were 5.0% and 5.0% (31 December 2022: 5.0% and 5.0%).

- (b) Surplus deposit reserves maintained with the PBOC are mainly for clearing purposes.

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19 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023	As at 31 December 2022
Banks in Mainland China	13,135,448	9,535,443
Other financial institutions in Mainland China	752,372	593,716
Banks in other countries and regions	529,086	597,596
Subtotal	14,416,906	10,726,755
Interest receivable	5,253	5,976
Less: allowances for impairment losses	(13,103)	(13,119)
Total	14,409,056	10,719,612

As at 31 December 2023, deposits with banks and other financial institutions were all in stage 1, and the carrying amount of impairment losses is RMB13.10 million. (31 December 2022: deposits with banks and other financial institutions were all in stage 1, and the carrying amount of impairment losses is RMB13.12 million.)

20 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023	As at 31 December 2022
Other financial institutions in Mainland China	35,200,000	20,600,000
Offshore Banks	34,896	61,658
Subtotal	35,234,896	20,661,658
Interest receivable	65,887	40,702
Less: allowances for impairment losses	(28,763)	(6,974)
Total	35,272,020	20,695,386

As at 31 December 2023, placements with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB28.76 million (31 December 2022: RMB6.97 million).

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21 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2023		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	545,588	3,901	(3,269)
– Currency swaps	3,753,823	1	(4,577)
– Foreign exchange options	3,942,962	1,711	(1,629)
– Interest rate swaps	15,170,000	94,588	(91,192)
Total	23,412,373	100,201	(100,667)

	As at 31 December 2022		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	596,012	9,220	(8,347)
– Currency swaps	1,504,914	32,466	(21,291)
– Interest rate swaps	15,120,000	87,996	(87,347)
Total	17,220,926	129,682	(116,985)

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December 2023	As at 31 December 2022
By collateral type:		
Debt securities	24,896,536	12,793,887
Subtotal	24,896,536	12,793,887
Interest receivable	17,464	5,390
Less: allowances for impairment losses	(139,492)	(140,373)
Total	24,774,508	12,658,904

On 31 December 2023, financial assets held under resale agreements were in Stage 1, and allowances for impairment losses were RMB139.49 million (31 December 2022: RMB140.37 million).

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(All amounts expressed in thousands of RMB unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 31 December 2023	As at 31 December 2022
Loans and advances measured at amortised cost		
– Corporate loans	558,507,393	466,717,597
– Personal loans	259,333,561	254,081,624
Subtotal	817,840,954	720,799,221
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	56,381,641	43,509,833
Subtotal	56,381,641	43,509,833
Total	874,222,595	764,309,054
Interest receivable	1,728,617	1,869,038
Total loans and advances	875,951,212	766,178,092
Less: allowance for loans at amortised cost	(29,868,901)	(31,379,717)
Loans and advances to customers, net	846,082,311	734,798,375
Allowance for loans at fair value through other comprehensive income	(103,396)	(41,547)

(b) Loans and advances to customers are assessed as follows (excluding accrued interest):

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 31 December 2023				
Total loans and advances to customers	849,645,455	13,555,342	11,021,798	874,222,595
Allowance for impairment losses on loans and advances measured at amortised cost	(13,688,290)	(6,869,967)	(9,310,644)	(29,868,901)
As at 31 December 2022				
Total loans and advances to customers	737,938,498	15,009,624	11,360,932	764,309,054
Allowance for impairment losses on loans and advances measured at amortised cost	(11,498,516)	(8,968,007)	(10,913,194)	(31,379,717)

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(All amounts expressed in thousands of RMB unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Reconciliation of allowance for impairment losses on loans and advances to customers

(1) Reconciliation of allowance for impairment losses measured at amortised cost

	Year ended 31 December 2023			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
As at 1 January 2023	11,498,516	8,968,007	10,913,194	31,379,717
Impairment losses for the year	4,419,305	(492,926)	3,925,000	7,851,379
Stage conversion				
Transfers to Stage 1	130,601	(107,215)	(23,386)	–
Transfers to Stage 2	(2,231,845)	2,243,347	(11,502)	–
Transfers to Stage 3	(128,287)	(3,741,246)	3,869,533	–
Write-off and transfer out	–	–	(10,372,031)	(10,372,031)
Recovery of loans and advances written off	–	–	1,087,764	1,087,764
Unwinding of discount on allowance	–	–	(77,928)	(77,928)
As at 31 December 2023	13,688,290	6,869,967	9,310,644	29,868,901

This year, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of stage 1 which was transferred to stage 2 and stage 3 was RMB6.0 billion, the loan principal from stage 2 to stage 3 was RMB4.0 billion, the principal of the loan transferred from stage 2 to stage 1 was RMB0.7 billion. The principal of the loan transferred from stage 3 to stage 1 and stage 2 was immaterial.

	Year ended 31 December 2022			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
As at 1 January 2022	10,065,265	8,200,128	9,650,872	27,916,265
Impairment losses for the year	2,565,984	207,141	3,131,563	5,904,688
Stage conversion				
Transfers to Stage 1	182,199	(76,934)	(105,265)	–
Transfers to Stage 2	(1,081,146)	1,119,540	(38,394)	–
Transfers to Stage 3	(233,786)	(481,868)	715,654	–
Write-off and transfer out	–	–	(3,618,971)	(3,618,971)
Recovery of loans and advances written off	–	–	1,307,776	1,307,776
Unwinding of discount on allowance	–	–	(130,041)	(130,041)
As at 31 December 2022	11,498,516	8,968,007	10,913,194	31,379,717

This year, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of stage 1 which was transferred to stage 2 and stage 3 was RMB4.0 billion, the loan principal from stage 2 to stage 3 was RMB0.8 billion, the principal of the loan transferred from stage 2 to stage 1 was RMB0.1 billion. The principal of the loan transferred from stage 3 to stage 1 and stage 2 was RMB0.2 billion.

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(All amounts expressed in thousands of RMB unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Reconciliation of allowance for impairment losses measured at fair value through other comprehensive income:

	Year ended 31 December 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	29,328	12,219	–	41,547
Impairment losses for the year	72,492	(10,643)	–	61,849
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2023	101,820	1,576	–	103,396
	Year ended 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	33,302	3,848	–	37,150
Impairment losses for the year	(3,974)	8,371	–	4,397
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2022	29,328	12,219	–	41,547

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(All amounts expressed in thousands of RMB unless otherwise stated)

24 INVESTMENT SECURITIES

	As at 31 December 2023	As at 31 December 2022
Financial assets at fair value through profit or loss		
Listed in China Mainland		
– Government bonds	5,792,852	5,084,358
– Other debt securities	25,528,375	20,820,780
– Interbank certificates of deposits	3,052,790	196,078
– Equity	262,179	993,250
Subtotal	34,636,196	27,094,466
Unlisted		
– Beneficial rights in trust and asset management plans	135,491,855	89,925,176
– Non-guaranteed wealth management products managed by other banks	3,907,990	4,541,600
Subtotal	139,399,845	94,466,776
Interest receivable	2,223,826	1,394,058
Total	176,259,867	122,955,300

As at 31 December 2023 and 31 December 2022, some of the debt instruments at fair value through profit or loss were pledged for operations such as sale and repurchase transaction agreements, treasury time deposits, and borrowings from the Central Bank. See Note 45(a).

	As at 31 December 2023	As at 31 December 2022
Financial assets at fair value through other comprehensive income		
Debt securities		
Listed in China Mainland		
– Debt securities	160,414,948	137,067,205
– Interbank certificates of deposit	5,895,829	–
Subtotal	166,310,777	137,067,205
Equity securities		
Unlisted		
– Equity investment	304,689	292,117
Subtotal	304,689	292,117
Interest receivable	2,750,340	2,582,115
Total	169,365,806	139,941,437

As at 31 December 2023 and 31 December 2022, some of the debt instruments at fair value through other comprehensive income were pledged for operations such as sale and repurchase transaction agreements, treasury time deposits, and borrowings from the Central Bank. See Note 45(a).

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(All amounts expressed in thousands of RMB unless otherwise stated)

24 INVESTMENT SECURITIES (CONTINUED)

	As at 31 December 2023	As at 31 December 2022
Financial assets at amortised cost		
Listed in China Mainland		
– Debt securities	222,783,238	179,080,381
Listed in Hong Kong		
– Debt securities	4,616,737	1,777,638
Unlisted		
– Beneficial rights in trust and asset management plans	117,667,152	157,538,068
Subtotal	345,067,127	338,396,087
Interest receivable	5,969,912	6,661,035
Less: allowance for impairment losses	(9,273,707)	(10,275,249)
Financial assets at amortised cost, net	341,763,332	334,781,873

As at 31 December 2023 and 31 December 2022, some of the debt instruments at amortised cost income were pledged for operations such as sale and repurchase transaction agreements, treasury time deposits, and borrowings from the Central Bank. See Note 45(a).

Beneficial rights in trust and asset management plans invested by the Group are the usufruct in trusts or asset management plans organized by security companies. The investment decisions of these products are made by the third-party asset managers or custodians. They mainly invest in collective investment products including: (a) liquid assets: deposits, repurchase agreements, money market funds and other cash management products, bond funds; bonds traded in exchange and inter-bank market, convertible bonds, ABS and ABN, or other qualified highly-liquid assets.(b) financing assets: the financing forms including entrusted loans, loan assets bought from other financial institutions, specific asset usufruct and etc. and (c) products issued by other financial institutions mainly including non-cash management fixed return products issued by investment funds, trusts, insurance companies, securities companies, commercial banks and etc. The details of unconsolidated structured entities invested by the Group are set out in Note 47.

Investment securities analysed by issuer are as follows:

	As at 31 December 2023	As at 31 December 2022
Financial assets at FVTPL		
By issuers		
– Government	5,792,852	5,084,358
– Banks and other financial institutions	150,665,914	101,554,045
– Enterprises	17,384,686	14,667,456
– Others	192,589	255,383
Subtotal	174,036,041	121,561,242
Interest receivable	2,223,826	1,394,058
Total	176,259,867	122,955,300

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(All amounts expressed in thousands of RMB unless otherwise stated)

24 INVESTMENT SECURITIES (CONTINUED)

	As at 31 December 2023	As at 31 December 2022
Financial assets at FVOCI		
Debt instruments		
By issuers		
– Government	90,534,080	70,333,278
– Banks and other financial institutions	25,008,606	17,390,331
– Enterprises	50,768,091	49,343,596
Subtotal	166,310,777	137,067,205
Equity instruments	304,689	292,117
Interest receivable	2,750,340	2,582,115
Total	169,365,806	139,941,437
	As at	As at
Financial assets at AC	31 December 2023	31 December 2022
By issuers		
– Government	193,678,580	143,192,504
– Banks and other financial institutions	129,871,822	174,255,312
– Enterprises	21,516,725	20,948,271
Subtotal	345,067,127	338,396,087
Interest receivable	5,969,912	6,661,035
Less: allowance for impairment losses	(9,273,707)	(10,275,249)
Financial assets at AC, net	341,763,332	334,781,873

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25 INVESTMENTS IN ASSOCIATES

Investments in associates of the Group comprising ordinary shares of unlisted companies are as follows:

As at 31 December 2023 Associates	Principal place of business	Location of registration	Percentage of shares	Registered capital (thousand)	Principal activities
Chery Huiyin Motor Finance Service Co., Ltd.	Anhui Province	Anhui Province	20%	1,500,000	Auto financing
Mengshang Bank Co., Ltd	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	15%	20,000,000	Commercial banking

As at 31 December 2022 Associates	Principal place of business	Location of registration	Percentage of shares	Registered capital (thousand)	Principal activities
Chery Huiyin Motor Finance Service Co., Ltd.	Anhui Province	Anhui Province	20%	1,500,000	Auto financing
Mengshang Bank Co., Ltd	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	15%	20,000,000	Commercial banking

Investment in Associates	Year ended 31 December 2023	Year ended 31 December 2022
Balance at beginning of the year	4,923,502	4,715,591
Additions	–	–
Cash dividends received	(18,796)	(14,904)
Share of results, net of tax	289,273	221,953
Other changes in equity	(42,508)	862
Balance at end of the year	5,151,471	4,923,502

The carrying amounts of investment in associates	Year ended 31 December 2023	Year ended 31 December 2022
Chery Huiyin Motor Finance Service Co., Ltd.	1,983,338	1,729,425
Mengshang Bank Co., Ltd	3,168,133	3,194,077
Balance at end of the year	5,151,471	4,923,502

Chery Huiyin Motor Finance Service Co., Ltd. was established in 2009, with a registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20% of 500 million. With the approval of CBRC Anhui Branch on 24 December 2012, the authorised registered capital of Chery Huiyin Motor Finance Service Co., Ltd. was increased to RMB1 billion. As at 31 December 2014, the Group's share in this associate was RMB200 million or 20%. On 30 September 2014, this associate has completed its shareholding reform, and was renamed as Chery Huiyin Motor Finance Service Corporation Limited. In December 2017, the three shareholders of the associate subscribed for 500 million shares in the associate with capital injection of RMB1.52 billion, in proportion to their respective shareholding ratio. After the capital increase, the registered capital of the associate increased from RMB1 billion to RMB1.5 billion, and the remaining 0.02 billion enters into capital reserves. After the capital increase, the Group's share in this associate was RMB300 million or 20% of the total capital.

The Group participated in the establishment of Mengshang Bank Co., Ltd in the first half of 2020. The registered capital of the invested enterprise is RMB20 billion. The Group invested 3.6 billion yuan (of which 3 billion yuan is included in the share capital and 600 million yuan is included in the capital reserve), and the equity accounted for 15% of 20 billion. Mongolia Commercial Bank Co., Ltd. was established on 30 April 2020 in accordance with the law. One of the current board members is nominated by the Group, so that the Group can exert significant influence on the company, so it is accounted as a joint venture enterprise.

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26 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction-in-progress	Total
Cost					
As at 1 January 2023	5,122,617	46,219	2,035,498	362,718	7,567,052
Additions	64,526	8,083	175,426	121,592	369,627
Transfers in/(out)	203,998	–	–	(214,648)	(10,650)
Disposals	(7,156)	(10,769)	(95,098)	–	(113,023)
Other transfers out	–	–	–	(19,707)	(19,707)
As at 31 December 2023	5,383,985	43,533	2,115,826	249,955	7,793,299
Accumulated depreciation					
As at 1 January 2023	(1,380,987)	(40,750)	(1,519,326)	–	(2,941,063)
Depreciation charge	(244,312)	(1,573)	(172,513)	–	(418,398)
Disposals	1,164	10,445	93,468	–	105,077
As at 31 December 2023	(1,624,135)	(31,878)	(1,598,371)	–	(3,254,384)
Net book value	3,759,850	11,655	517,455	249,955	4,538,915

	Buildings	Motor vehicles	Electronic and other equipment	Construction-in-progress	Total
Cost					
As at 1 January 2022	5,057,738	50,557	1,940,423	288,477	7,337,195
Additions	59,890	1,422	175,708	124,941	361,961
Transfers in/(out)	34,902	–	–	(43,647)	(8,745)
Disposals	(29,913)	(5,760)	(80,633)	–	(116,306)
Other transfers out	–	–	–	(7,053)	(7,053)
As at 31 December 2022	5,122,617	46,219	2,035,498	362,718	7,567,052
Accumulated depreciation					
As at 1 January 2022	(1,176,488)	(45,940)	(1,412,179)	–	(2,634,607)
Depreciation charge	(233,514)	(398)	(182,104)	–	(416,016)
Disposals	29,015	5,588	74,957	–	109,560
As at 31 December 2022	(1,380,987)	(40,750)	(1,519,326)	–	(2,941,063)
Net book value	3,741,630	5,469	516,172	362,718	4,625,989

All lands and buildings of the Group are located in Mainland China.

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27 RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2023	1,816,428	14,277	5,752	170,863	2,007,320
Additions	385,351	6,323	–	–	391,674
Disposals and transfers out	(284,095)	(4,860)	(4,197)	–	(293,152)
Revaluation of lease liabilities	773	–	–	–	773
As at 31 December 2023	1,918,457	15,740	1,555	170,863	2,106,615
Accumulated depreciation					
As at 1 January 2023	(811,423)	(6,301)	(3,367)	(59,445)	(880,536)
Depreciation charge	(345,522)	(6,586)	(418)	(3,636)	(356,162)
Transfers out	271,988	4,860	2,640	–	279,488
As at 31 December 2023	(884,957)	(8,027)	(1,145)	(63,081)	(957,210)
Net book value	1,033,500	7,713	410	107,782	1,149,405

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2022	1,673,666	12,731	4,803	170,863	1,862,063
Additions	379,368	8,560	949	–	388,877
Disposals and transfers out	(238,517)	(7,014)	–	–	(245,531)
Revaluation of lease liabilities	1,911	–	–	–	1,911
As at 31 December 2022	1,816,428	14,277	5,752	170,863	2,007,320
Accumulated depreciation					
As at 1 January 2022	(672,749)	(7,377)	(1,735)	(49,905)	(731,766)
Depreciation charge	(351,600)	(5,521)	(1,632)	(9,540)	(368,293)
Transfers out	212,926	6,597	–	–	219,523
As at 31 December 2022	(811,423)	(6,301)	(3,367)	(59,445)	(880,536)
Net book value	1,005,005	7,976	2,385	111,418	1,126,784

All lands and buildings of the Group are located in Mainland China.

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28 GOODWILL

	2023	2022
Balance at beginning of the year	14,567,826	14,567,826
Additions/(Reductions)	–	–
Balance at end of the year	14,567,826	14,567,826
Allowance	(3,020,437)	(2,791,750)
Net value at end of the year	11,547,389	11,776,076

The Group completed a business combination in November 2020 with resultant goodwill of RMB14.57 billion.

The Group conducted goodwill impairment test at the end of each Financial Year. The Group assessed and determined that provision for the impairment losses of goodwill is RMB3.02 billion as at 31 December 2023.

The Group calculated the recoverable amount of the CGU using the higher of its value in use calculated as cash flow projections based on financial forecasts and the fair value of the CGUs less costs of disposal approved by management covering a ten-year period. The discount rate used in the cash flow forecast is 10.10% and the growth rate to extrapolate cash flows beyond the budget period is 2.50%. The management of the Group considers this growth rate to be reasonable.

The key assumptions made by management in determining the cash flow forecast for the purpose of the goodwill impairment test are described below:

Operating income – Management sets interest rates and growth rates based on the cash generating units, past performance of regional peers and expectations for market developments.

Discount rate – The discount rate used is before tax after reflecting specific risks of the relevant businesses.

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29 FINANCE LEASE RECEIVABLES

(a) The Group's finance lease receivables are analysed by age as follows:

As at 31 December 2023	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	28,144,428	29,102,070	10,711,905	67,958,403
Unearned finance income	(3,161,085)	(2,449,920)	(705,296)	(6,316,301)
Allowance	(631,159)	(1,663,802)	(1,517,814)	(3,812,775)
Interest receivable of finance leases	853,870	–	–	853,870
Net	25,206,054	24,988,348	8,488,795	58,683,197

As at 31 December 2022	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	25,568,362	32,517,523	8,400,147	66,486,032
Unearned finance income	(2,814,272)	(3,115,676)	(532,475)	(6,462,423)
Allowance	(150,475)	(2,079,834)	(817,285)	(3,047,594)
Interest receivable of finance leases	831,443	–	–	831,443
Net	23,435,058	27,322,013	7,050,387	57,807,458

(b) The Group's finance lease receivables (excluding accrued interest) are analysed by stages as follows:

As at 31 December 2023	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL – impaired)	
The carrying value of finance lease receivables	53,526,198	7,585,148	530,756	61,642,102

As at 31 December 2022	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL – impaired)	
The carrying value of finance lease receivables	56,699,035	2,699,247	625,327	60,023,609

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29 FINANCE LEASE RECEIVABLES (CONTINUED)

(c) The changes of the allowance for the financing lease receivables are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	391,613	2,038,012	617,969	3,047,594
Impairment losses for the year (Note 31)	240,747	707,662	(78,098)	870,311
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(36,935)	36,935	–	–
Transfers to Stage 3	–	(86,934)	86,934	–
Write-off and transfer out	–	–	(197,830)	(197,830)
Recovery of reversals resulting from original write-offs	–	–	92,700	92,700
As at 31 December 2023	595,425	2,695,675	521,675	3,812,775

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	777,871	176,919	1,540,517	2,495,307
Impairment losses for the year (Note 31)	(343,194)	1,767,261	(152,344)	1,271,723
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(43,064)	109,309	(66,245)	–
Transfers to Stage 3	–	(15,477)	15,477	–
Write-off and transfer out	–	–	(727,592)	(727,592)
Recovery of reversals resulting from original write-offs	–	–	8,156	8,156
As at 31 December 2022	391,613	2,038,012	617,969	3,047,594

The Group's finance lease receivables are all managed by its subsidiary, Huishang Bank Financial Leasing Co., Ltd. For the year ended 31 December 2023, the principal of the Group's five largest finance lease receivables and the related allowance were RMB1,989.15 million and RMB230.08 million, respectively, which accounted for 2.93% and 6.03% of the total balance, respectively (31 December 2022: the principal of the Group's five largest finance lease receivables and the related allowance were RMB2,048.06 million and RMB7.96 million, respectively, which accounted for 3.08% and 0.26% of the total balance, respectively).

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30 OTHER ASSETS

	As at 31 December 2023	As at 31 December 2022
Other receivables ^(a)	1,083,986	1,614,145
Less: impairment allowance	(137,900)	(194,525)
Funds to be settled	115,806	–
Long-term prepaid expenses	206,978	205,218
Repossessed assets	266,745	247,294
Less: impairment allowance	(93,649)	(93,649)
Intangible assets ^(b)	485,748	472,365
Continued involvement in assets	2,021,526	2,178,265
Others	348,218	635,176
Less: impairment allowance	(101,472)	(118,419)
Total	4,195,986	4,945,870

(a) Other receivables

The Group's other receivables are analysed by age as follows:

As at 31 December 2023	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	559,260	121,437	403,289	1,083,986
Allowance for impairment losses	(5,615)	(60,046)	(72,239)	(137,900)
Net	553,645	61,391	331,050	946,086

As at 31 December 2022	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	1,083,769	117,708	412,668	1,614,145
Allowance for impairment losses	(37,228)	(69,462)	(87,835)	(194,525)
Net	1,046,541	48,246	324,833	1,419,620

As at 31 December 2023, the carrying amounts of other receivables in other assets in Stages 1, 2 and 3 were RMB559.26 million, RMB121.44 million and RMB403.29 million (31 December 2022: RMB1,083.77 million, RMB117.71 million and RMB412.67 million), and the allowances for impairment losses in Stages 1, 2 and 3 were RMB5.62 million, RMB60.05 million and RMB72.24 million (31 December 2022: RMB37.23 million, RMB69.46 million and RMB87.84 million).

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30 OTHER ASSETS (CONTINUED)

(b) Intangible assets

Intangible assets of the Group are mainly computer software.

	As at 31 December 2023	As at 31 December 2022
Cost		
Balance at beginning of the year	1,205,256	1,047,743
Additions	211,954	150,395
Transfers-construction-in-progress	10,650	8,745
Disposals	(636)	(1,627)
Balance at end of the year	1,427,224	1,205,256
Accumulated amortisation		
Balance at beginning of the year	(732,891)	(569,699)
Additions	(209,221)	(164,694)
Disposals	636	1,502
Balance at end of the year	(941,476)	(732,891)
Net book value		
At end of the year	485,748	472,365

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31 IMPAIRMENT ALLOWANCE (EXCEPT FOR LOANS AND ADVANCES)

	As at 1 January 2023	Additions/ Deductions	Recovery	Utilised	As at 31 December 2023
Deposits with banks and other financial institutions	(13,119)	16	–	–	(13,103)
Placements with banks and other financial institutions	(6,974)	(21,789)	–	–	(28,763)
Financial assets held under resale agreements	(140,373)	2,881	(2,000)	–	(139,492)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(834,308)	(251,160)	–	–	(1,085,468)
Financial assets at amortised cost	(10,275,249)	833,735	–	167,807	(9,273,707)
Finance lease receivables	(3,047,594)	(870,311)	(92,700)	197,830	(3,812,775)
Other assets – bad debts	(312,944)	11,246	(5,955)	68,281	(239,372)
Foreclosed assets	(93,649)	–	–	–	(93,649)
Goodwill	(2,791,750)	(228,687)	–	–	(3,020,437)
Total	(17,515,960)	(524,069)	(100,655)	433,918	(17,706,766)

	As at 1 January 2022	Additions/ Deductions	Recovery	Utilised	As at 31 December 2022
Deposits with banks and other financial institutions	(490,479)	9,800	–	467,560	(13,119)
Placements with banks and other financial institutions	(10,330)	3,356	–	–	(6,974)
Financial assets held under resale agreements	(25,664)	(112,709)	(2,000)	–	(140,373)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(419,927)	(414,381)	–	–	(834,308)
Financial assets at amortised cost	(13,876,264)	664,647	–	2,936,368	(10,275,249)
Finance lease receivables	(2,495,307)	(1,271,723)	(8,156)	727,592	(3,047,594)
Other assets – bad debts	(164,090)	(103,708)	(45,882)	736	(312,944)
Foreclosed assets	(93,649)	–	–	–	(93,649)
Goodwill	–	(2,791,750)	–	–	(2,791,750)
Total	(17,575,710)	(4,016,468)	(56,038)	4,132,256	(17,515,960)

32 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023	As at 31 December 2022
Banks in Mainland China	1,309,945	2,233,638
Other financial institutions in Mainland China	161,262,178	119,665,384
Interest payable	1,441,660	1,712,217
Total	164,013,783	123,611,239

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33 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023	As at 31 December 2022
Banks in Mainland China	46,569,173	43,390,147
Interest payable	516,692	472,546
Total	47,085,865	43,862,693

34 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2023	As at 31 December 2022
Securities sold under repurchase agreements	39,811,206	30,003,540
Bills sold under repurchase agreements	–	2,908,389
Precious metals sold under repurchase agreements	26,718,185	21,315,000
Interest payable	321,573	249,496
Total	66,850,964	54,476,425

35 DEPOSITS FROM CUSTOMERS

Items	As at 31 December 2023	As at 31 December 2022
Demand deposits		
– Corporate deposits	263,924,347	244,865,979
– Personal deposits	83,050,982	88,420,066
Time deposits (including deposits at call)		
– Corporate deposits	172,293,320	187,972,606
– Personal deposits	448,811,465	320,201,049
Pledged deposits held as collateral	51,706,167	52,404,836
Remittances payable	244,830	163,587
Other deposits	127,263	127,964
Interest payable	22,156,693	18,620,040
Total	1,042,315,067	912,776,127

36 TAXES PAYABLE

	As at 31 December 2023	As at 31 December 2022
Corporate income tax	1,246,657	2,065,084
Value-added tax	604,983	685,404
Business tax and surcharges	75,412	68,674
Others	47,487	88,654
Total	1,974,539	2,907,816

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37 OTHER LIABILITIES

	As at 31 December 2023	As at 31 December 2022
Dividends payable ^(a)	99,903	106,794
Unearned rent and deposits under lease arrangements ^(b)	6,246,488	5,439,217
Funds to be settled	718,413	1,163,364
Continued involvement in liabilities	2,021,526	2,178,265
Asset securitisation	110,932	201,779
Salary and welfare payable ^(c)	3,057,019	2,745,108
Entrusted services	107,919	426,964
Long term suspension of customer deposits	777	690
Provision	1,554,073	1,147,294
– Allowance for litigation losses (Note 44)	342,151	267,316
– Provision for impairment of credit commitments ^(d)	1,188,995	827,954
– Others	22,927	52,024
Project funds payable	55,110	48,331
Lease liabilities	989,811	958,017
Others	2,366,458	4,337,013
Total	17,328,429	18,752,836

(a) Dividends payable

In accordance with the resolution of the 2022 Annual General Meeting of Shareholders held on June 30 2023, the Bank distributed cash dividends to all shareholders. Details are listed in Note 43.

(b) Unearned rent and deposits under lease arrangements

As at 31 December 2023, the Group's unearned rent and deposits under lease arrangements were all related to its subsidiary, Huishang Bank Financial Leasing Co., Ltd., which included the deposits and deferred income on finance leases.

(c) Salary and welfare payable

	As at 31 December 2023	As at 31 December 2022
Short-term employee benefits	2,819,299	2,508,425
Long-term employee benefits	205,229	206,678
Termination benefits	19,251	11,850
Defined contribution plans	13,240	18,155
Total	3,057,019	2,745,108

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37 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Short-term employee benefits

	As at 1 January 2023	Increase in current year	Decrease in current year	As at 31 December 2023
Wages, bonuses, allowances and subsidies	2,075,635	3,986,919	(3,671,786)	2,390,768
Employee benefits	–	279,901	(279,901)	–
Social insurance	3,244	247,516	(247,402)	3,358
Including: Medical insurance	3,098	242,649	(242,512)	3,235
Occupational injury insurance	81	4,867	(4,885)	63
Maternity insurance	65	–	(5)	60
Housing fund	721	329,306	(329,077)	950
Labour union fee and staff education fee	111,532	112,566	(113,643)	110,455
Other short-term employee benefits	317,293	7,040	(10,565)	313,768
Total	2,508,425	4,963,248	(4,652,374)	2,819,299

Short-term employee benefits

	As at 1 January 2022	Increase in current year	Decrease in current year	As at 31 December 2022
Wages, bonuses, allowances and subsidies	1,744,153	3,804,772	(3,473,290)	2,075,635
Employee benefits	–	301,265	(301,265)	–
Social insurance	3,116	213,414	(213,286)	3,244
Including: Medical insurance	2,969	209,504	(209,375)	3,098
Occupational injury insurance	82	3,910	(3,911)	81
Maternity insurance	65	–	–	65
Housing fund	727	311,809	(311,815)	721
Labour union fee and staff education fee	90,522	106,701	(85,691)	111,532
Other short-term employee benefits	313,769	5,551	(2,027)	317,293
Total	2,152,287	4,743,512	(4,387,374)	2,508,425

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37 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Long-term employee benefits

	As at 1 January 2023	Increase in current year	Decrease in current year	As at 31 December 2023
Deferred performance pay	206,678	287,877	(289,326)	205,229
Total	206,678	287,877	(289,326)	205,229

Long-term employee benefits

	As at 1 January 2022	Increase in current year	Decrease in current year	As at 31 December 2022
Deferred performance pay	118,337	216,326	(127,985)	206,678
Total	118,337	216,326	(127,985)	206,678

Defined contribution plans

	As at 1 January 2023	Increase in current year	Decrease in current year	As at 31 December 2023
Basic pension insurance	9,344	393,970	(394,532)	8,782
Unemployment insurance	317	11,965	(12,003)	279
Annuity scheme	2,189	282,541	(274,540)	10,190
Total	11,850	688,476	(681,075)	19,251

Defined contribution plans

	As at 1 January 2022	Increase in current year	Decrease in current year	As at 31 December 2022
Basic pension insurance	9,023	367,558	(367,237)	9,344
Unemployment insurance	545	10,650	(10,878)	317
Annuity scheme	21,318	242,171	(261,300)	2,189
Total	30,886	620,379	(639,415)	11,850

Internal retirement benefits

	31 December 2023	31 December 2022
Internal retirement benefits payable	13,240	18,155
Total	13,240	18,155

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37 OTHER LIABILITIES (CONTINUED)

(d) Provision – Provision for impairment of credit commitments

	As at 31 December 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2023	439,769	383,285	4,900	827,954
Impairment losses for the year	195,541	170,400	(4,900)	361,041
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(91)	91	–	–
Transfers to Stage 3	–	–	–	–
As at 31 December 2023	635,219	553,776	–	1,188,995

	As at 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2022	1,090,687	829	–	1,091,516
Impairment losses for the year	(650,905)	382,456	4,887	(263,562)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(13)	–	13	–
As at 31 December 2022	439,769	383,285	4,900	827,954

38 DEFERRED INCOME TAXES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movements in the deferred income tax account are as follows:

	2023	2022
Balance at beginning of the year	13,655,828	12,617,628
Charged to the income statement	1,004,780	828,663
Credited to other comprehensive income	(422,285)	209,537
Balance at end of the year	14,238,323	13,655,828

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38 DEFERRED INCOME TAXES (CONTINUED)

Items included in deferred tax assets and liabilities are as follows:

	As at 31 December 2023	As at 31 December 2022
Deferred income tax assets		
Impairment allowance for assets	12,925,163	12,166,410
Salary and welfare payable	673,403	575,657
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	444,500	403,986
Impairment of financial assets at fair value through other comprehensive income	271,368	208,577
Fair value changes of customer loans and advances made at fair value and whose changes are included in other comprehensive income	42,619	28,651
Impairment of loans and advances to customers at fair value through other comprehensive income	25,849	10,387
Credit commitment impairment	297,249	206,989
Others	581,938	636,174
Total deferred income tax assets	15,262,089	14,236,831
Deferred income tax liabilities		
Fair value changes of financial assets at fair value through other comprehensive income	(467,408)	(109,407)
Impairment of financial assets at fair value through other comprehensive income	(271,368)	(208,577)
Impairment of loans and advances to customer at fair value through other comprehensive income	(25,849)	(10,387)
Others	(259,141)	(252,632)
Total deferred income tax liabilities	(1,023,766)	(581,003)
Net	14,238,323	13,655,828

Deferred taxes recorded in the income statement for the year comprise the following temporary differences:

	2023	2022
Impairment allowance for assets	758,753	435,304
Salary and welfare payable	97,746	102,603
Fair value changes of financial instruments and derivative financial instruments at fair value through profit or loss	40,514	276,348
Impairment changes of financial assets at fair value through other comprehensive income	62,790	103,595
Impairment changes of loans and advances to customer at fair value through other comprehensive income	15,462	1,099
Credit commitment impairment	90,260	(65,890)
Others	(60,745)	(24,396)
Total	1,004,780	828,663

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39 DEBT SECURITIES ISSUED

	As at 31 December 2023	As at 31 December 2022
19 Financial bonds 02 ^(a)	1,000,000	1,000,000
20 Small and micro bonds 01 ^(b)	–	9,999,412
20 Tier 2 capital bonds ^(c)	8,000,000	8,000,000
20 Huiyin financial leasing bonds 01 ^(d)	–	2,000,000
21 Tier 2 capital bonds 01 ^(e)	6,000,000	6,000,000
21 Huiyin financial leasing bonds 01 ^(f)	1,000,000	1,000,000
22 Small and micro bonds 01 ^(g)	10,000,000	10,000,000
22 Green bonds ^(h)	5,000,000	5,000,000
23 Financial Bonds ⁽ⁱ⁾	20,000,000	–
23 Small and micro bonds 01 ^(j)	10,000,000	–
Interbank certificates of deposit issued ^(k)	119,907,391	174,335,161
Interest payable	753,666	667,560
Total	181,661,057	218,002,133

- (a) The Group issued RMB1 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.8%, paid annually.
- (b) The Group issued RMB10 billion of financial bonds on 27 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.3%, paid annually.
- (c) The Group issued RMB8 billion of financial bonds on 28 September 2020 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.5%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 28 September 2025, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (d) The Group issued RMB2 billion of financial bonds on 20 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.9%, paid annually. The bonds are due and payable on April 20, 2023.
- (e) The Group issued RMB6 billion of financial bonds on 26 October 2021 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.09%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 22 October 2026, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (f) The Group issued RMB1 billion of financial bonds on 18 August 2021 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.50%, paid annually.
- (g) The Group issued RMB10 billion of financial bonds on 1 March 2022 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.83%, paid annually.
- (h) The Group issued RMB5 billion of financial bonds on 9 August 2022 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.53%, paid annually.
- (i) The Group issued RMB20 billion of financial bonds on 12 July 2023 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.69%, paid annually.

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39 DEBT SECURITIES ISSUED (CONTINUED)

- (j) The Group issued RMB10 billion of financial bonds on 22 November 2023 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.78%, paid annually.
- (k) The Group issued 214 interbank certificates of deposit at discount with a total face value of RMB203.4 billion with maturity ranging from one month to nine months. As at 31 December 2023, the total number of immature interbank certificates of deposit was 151, with a total face value of RMB121 billion.

As at 31 December 2023, there were no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE

(a) Share capital

The Bank's share capital is comprised of fully paid ordinary shares in issue, with par value of RMB1 per share. The number of shares is as follows:

	As at 31 December 2023	As at 31 December 2022
Number of authorized shares fully paid in issue (in thousands)	13,889,801	13,889,801

(b) Other equity instruments

1. Perpetual bonds issued as at 31 December 2023 and 31 December 2022

As at 31 December 2023

Perpetual bonds	Issue date	Classification	Initial interest rate	Issue price (RMB)	Amount		Maturity date	Method
					(100 million RMB)	RMB (thousand)		
2019 Huishang Bank Perpetual bonds ⁽ⁱ⁾	29 November 2019	Equity instruments	4.90%	100/share	100	10,000,000	No maturity date	floating interest rates
2023 Huishang Bank Perpetual bonds ⁽ⁱ⁾	26 October 2023	Equity instruments	3.80%	100/share	100	10,000,000	No maturity date	floating interest rates
Total amount						20,000,000		
Less: issuance fee						(643)		
Carrying amount						19,999,357		

As at 31 December 2022

Perpetual bonds	Issue date	Classification	Initial interest rate	Issue price (RMB)	Amount		Maturity date	Method
					(100 million RMB)	RMB (thousand)		
2019 Huishang Bank Perpetual bonds ⁽ⁱ⁾	29 November 2019	Equity instruments	4.90%	100/share	100	10,000,000	No maturity date	floating interest rates
Total amount						10,000,000		
Less: issuance fee						(189)		
Carrying amount						9,999,811		

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40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

1. Perpetual bonds issued as at 31 December 2023 and 31 December 2022 (Continued)

- (i) Huishang Bank separately obtained approval on 5 August, 2019 and 5 November, 2019, from the former Anhui office of China Banking and Insurance Regulatory Commission ("the CBIRC") and the PBOC to issue capital bonds with fixed maturities of no more than RMB10 billion in the national interbank bond market; at the end of November 2019, Huishang Bank successfully issued Huishang Bank Co., Ltd. 2019 No Fixed-Term Capital Bonds, and completed bond registration and custody at the Central Government Bonds Registration and Clearing Co., Ltd. The bond was filed on 29 November 2019, and was issued on 3 December 2019. The bond issuance has a scale of RMB10 billion, and the unit face value is RMB100. It is issued at par with par value and coupon rate is 4.9%.

The duration of the bond is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bond at annual interest payment date (including the interest payment date of the fifth year after the date of issuance) on the premise that the redemption prerequisites are met and the former CBIRC has approved. When the write-down triggering conditions are met, the bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to the former CBIRC and agreed, but without the consent of the bondholders. The principal of the bond is settled in the order of depositors, general creditors and subordinated debts higher than the bonds, but before all classes of shares held by shareholders; the bonds are in the same order as other tier 1 capital instruments with the same repayment order be compensated.

The aforesaid bonds are paid by non-cumulative interest, and the Bank has the right to cancel part or all of the dividends of the bonds, which does not constitute a default event. The Bank is free to dispose of the proceeds of the cancellation of dividends for repayment of other due debts, but the Bank will not distribute profits to ordinary shareholders until the full interest payment is resumed.

- (ii) Huishang Bank separately obtained approval on 25 June 2023 and 8 October, 2023, from the PBOC and the Anhui Supervision Bureau of the State Financial Supervision and Administration of China to issue capital bonds with fixed maturities of no more than RMB10 billion in the national interbank bond market; at the end of October 2023, Huishang Bank successfully issued Huishang Bank Co., Ltd. 2023 No Fixed-Term Capital Bonds, and completed bond registration and custody at the Interbank Market Clearing House Co., Ltd. The bond was filed on 26 October 2023, and was issued on 30 October 2023. The bond issuance has a scale of RMB10 billion, and the unit face value is RMB100. It is issued at par with par value and coupon rate is 3.80%.

The duration of the bond is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bond at annual interest payment date (including the interest payment date of the fifth year after the date of issuance) on the premise that the redemption prerequisites are met and the NAFS has approved. When the write-down triggering conditions are met, the bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to the NAFS and agreed, but without the consent of the bondholders. The principal of the bond is settled in the order of depositors, general creditors and subordinated debts higher than the bonds, but before all classes of shares held by shareholders; the bonds are in the same order as other tier 1 capital instruments with the same repayment order be compensated.

The aforesaid bonds are paid by non-cumulative interest, and the Bank has the right to cancel part or all of the dividends of the bonds, which does not constitute a default event. The Bank is free to dispose of the proceeds of the cancellation of dividends for repayment of other due debts, but the Bank will not distribute profits to ordinary shareholders until the full interest payment is resumed.

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40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

Related information attributable to equity instrument holders:

	As at 31 December 2023	As at 31 December 2022
1. Total equity attributable to equity holders of the Bank	142,983,077	119,607,642
(1) Equity attributable to ordinary equity holders of the Bank	122,983,720	109,607,831
(2) Equity attributable to other equity holders of the Bank	19,999,357	9,999,811
2. Total equity attributable to non-controlling interests	3,743,765	3,214,016

(c) Capital reserve

Transactions of the following natures are recorded in the capital reserve:

- (1) share premium arising from the issuance of shares at prices in excess of their par value;
- (2) donations received from shareholders; and
- (3) any other items required by the PRC regulations.

Capital surplus can be utilized for the issuance of stock dividends or increasing paid-up capital as approved by the shareholders meeting.

As at 31 December, 2023 and 31 December, 2022, the Group's capital surplus is as follows:

	As at 31 December 2023	As at 31 December 2022
Share premium	14,919,197	14,919,197
Others	311,507	311,507
Total	15,230,704	15,230,704

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41 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES

	Surplus reserves ^(a)	General reserves ^(b)
As at 1 January 2022	15,180,759	13,531,015
Appropriation to surplus reserves ^(a)	2,223,574	–
Appropriation to general reserves ^(b)	–	2,066,794
As at 31 December 2022	17,404,333	15,597,809
Appropriation to surplus reserves ^(a)	2,544,248	–
Appropriation to general reserves ^(b)	–	1,986,202
As at 31 December 2023	19,948,581	17,584,011

(a) Surplus reserves

Pursuant to the “Company Law of the PRC” and the Group’s Articles of Association, the Group is required to appropriate 10% of its net profit in the statutory consolidated financial statements to the non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. After the withdrawal of statutory surplus reserve, the group can withdraw arbitrary surplus reserve. Subject to the approval of the shareholders’ meeting, any surplus reserve can be used to make up the loss of previous years or to increase the share capital.

As at 31 December 2023 and 31 December 2022, the Group’s statutory surplus reserve balances were RMB10,859.95 million and RMB9,507.31 million respectively. The others were discretionary surplus reserve.

(b) General reserve

Pursuant to Cai Jin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirements”) issued by the Ministry of Finance on 20 March 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets and shall be raised within five years. The Requirements were effective from 1 July 2012.

42 OTHER COMPREHENSIVE INCOME

	Fair value change of equity instruments at FVOCI		Fair value change of debt instruments at FVOCI		Impairment change of debt instruments at FVOCI		Other comprehensive income transferable to profit or loss under the equity method	Other comprehensive income not transferable to profit or loss under the equity method	Total	Other comprehensive income attributable to minority shareholders	Total
	Amount before tax	Income tax impact	Amount before tax	Income tax impact	Amount before tax	Income tax impact					
As at 1 January 2022	215,867	(53,966)	1,364,086	(341,021)	457,077	(114,271)	–	–	1,527,772	–	1,527,772
Changes in amount for the previous year	66,751	(16,689)	(1,323,679)	330,919	418,778	(104,693)	23,814	(22,952)	(627,751)	–	(627,751)
As at 31 December 2022	282,618	(70,655)	40,407	(10,102)	875,855	(218,964)	23,814	(22,952)	900,021	–	900,021
Changes in amount for the year	12,573	(3,143)	1,363,658	(340,890)	313,009	(78,253)	(15,072)	(27,436)	1,224,446	146	1,224,592
As at 31 December 2023	295,191	(73,798)	1,404,065	(350,992)	1,188,864	(297,217)	8,742	(50,388)	2,124,467	146	2,124,613

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(All amounts expressed in thousands of RMB unless otherwise stated)

43 DIVIDENDS

(a) Dividends for ordinary shares

	Year ended 31 December 2023	Year ended 31 December 2022
Dividends declared for the year	1,791,784	1,236,192
Dividends per ordinary share (in RMB)	0.129	0.089
Dividends paid during the year	1,798,675	1,303,502

It was approved by the shareholders' general meeting of the Bank held on June 30, 2023 that, under the Bank's profit distribution plan for the year 2022, the dividend for 2022 would be paid on the basis of the shareholders registered on July 11, 2023, at the rate of RMB0.129 per share (inclusive of tax).

In 2022, the 2021 year-end dividend was approved by the general meeting of shareholders to be paid in the amount of RMB0.089 per share (inclusive of tax).

Under the "Company Law of the PRC" and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory consolidated financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;
- (iii) Appropriation to general reserve;
- (iv) Payment of preference shares dividends; and
- (v) Allocations to the discretionary reserve with approval from the general meetings of shareholders. These reserves form part of the shareholders' equity.

In accordance with the relevant regulations, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the PRC Generally Accepted Accounting Principles and (ii) the retained profits determined in accordance with IFRS.

(b) Profit distribution of perpetual bonds

On 3 December 2023, the Bank distributed interest on the 2020 unfixed term capital bonds (bonds referred to as "2019 Huishang Bank perpetual bonds") of RMB490 million.

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44 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments:

	As at 31 December 2023	As at 31 December 2022
Bank acceptance	74,698,817	66,038,457
Letters of credit issued	34,280,402	24,247,898
Letters of guarantee issued	33,877,057	38,563,607
Loan commitments	293,625	775,532
Unused credit card lines	43,973,626	41,880,342
Total	187,123,527	171,505,836
Impairment allowance for credit commitments (Note 37)	1,188,995	827,954

(b) Capital commitments

	As at 31 December 2023	As at 31 December 2022
Contracted but not provided for	395,810	211,664

(c) Treasury bond redemption commitments

The Group is entrusted by the Ministry of Finance of the PRC ("MOF") to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement. As at 31 December 2023 and 31 December 2022, the nominal values of treasury bonds which the Group was obligated to redeem prior to maturity were RMB5.62 billion and RMB5.20 billion respectively.

(d) Legal proceedings

During the reporting year, the Group was involved as defendants/respondents in certain lawsuits arising from its normal business operations. At 31 December 2023, provision for litigation losses as advised by in-house or external legal professionals was RMB0.34 billion (31 December 2022: RMB0.27 billion). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

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45 COLLATERAL

(a) Pledged assets

The Group uses the following financial assets as collateral for sale repurchase transactions, treasury time deposits and borrowing from the Central Bank. At the end of the reporting period, the face value of financial assets used as collateral for a liability or contingent liability is shown below:

	As at 31 December 2023	As at 31 December 2022
Fair value changes of financial assets at fair value through other comprehensive income	97,939,401	55,946,513
Financial assets at amortised cost	91,424,968	49,457,875
Fair value changes of financial assets at fair value through profit or loss	21,761,000	10,789,720
Discounted bills	457,671	6,468,262
Total	211,583,040	122,662,370

Part of the sale repurchase transactions are sell-off transactions where the related collateral rights have been transferred to the counterparty and there were no derecognised sell-off sale repurchase transactions as of December 31, 2023 (December 31, 2022: none).

In addition, the Group has no debt securities and deposits with banks and other financial institutions pledged for meeting regulatory requirements or for derivative transactions.

(b) Collateral accepted

The Group accepted debt securities, bills and other assets as collateral in the purchase of assets under resale agreements. Certain collateral can be resold or re-pledged. The Group had no collateral accepted that can be resold or re-pledged as at 31 December 2023(31 December 2022: none). The Group has no collateral that is re-pledged and obligated to return as at 31 December 2023 (31 December 2022: none).

46 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 31 December 2023	As at 31 December 2022
Financial guarantees and credit related commitments	59,961,637	69,311,358

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the former CBIRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

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47 STRUCTURED ENTITIES

(a) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products (“WMP”) issued and managed by the Bank. The Group had not provided any guarantee or undertaking with regard to principal or returns for these products (non-guaranteed wealth management products). Wealth management products were mainly invested in money market instruments, bonds and loan assets. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Returns would be allocated to investors based on the performance of the assets. The Group receives a management fee as the manager of these wealth management products. As at 31 December 2023 and 31 December 2022, total wealth commission income the Group received were RMB656.47 million and RMB2,062.33 million respectively. The Group considered its variable returns from the structured entities are insignificant and hence they were not consolidated.

As at 31 December 2023, the carrying value of non-guaranteed wealth management products that the Group issued and managed was RMB177.32 billion (31 December 2022: RMB211.49 billion). As at 31 December 2023, the Group’s maximum exposure to these unconsolidated structured entities was zero (31 December 2022: none). In 2023, the Group purchased financial assets from wealth management products not included in the scope of consolidation for a total of zero.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk or reduce its interest in WMP vehicles disclosed above.

(b) Unconsolidated structured entities invested by the Group

To maximize the usage of capital, the Group enters into transactions with unconsolidated structured entities which include wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the years ended 31 December 2023 and 31 December 2022. The Group classifies these assets into “debt instruments classified as receivables” or “available-for-sale financial assets” based on their nature. As the investor of these entities, the Group earns interest from these transactions. The Group has not provided any liquidity support to these unconsolidated structured entities during the years ended 31 December 2023 and 31 December 2022.

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47 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities invested by the Group (Continued)

The table below shows the carrying value and scale of unconsolidated structured entities invested by the Group, as well as its maximum exposure to loss in relation to those interests.

At 31 December 2023	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	3,907,990	3,907,990
– Trust fund, asset management plans and others	130,887,320	130,887,320
Financial assets at amortised cost		
– Trust fund and asset management plans	111,700,706	111,700,706
Total	246,496,016	246,496,016
At 31 December 2022	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	4,541,600	4,541,600
– Trust fund, asset management plans and others	84,516,787	84,516,787
Financial assets at amortised cost		
– Trust fund and asset management plans	147,647,500	147,647,500
Total	236,705,887	236,705,887

The information of total size of the unconsolidated structured entities listed above is not readily available.

(c) Consolidated structured entities

Consolidated structured entities include the beneficial rights in trust and asset management plans over which the Group exercises investment decisions.

The Group did not provide liquidity support to these consolidated structured entities during the year ended 31 December 2023 and the year ended 31 December 2022.

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48 CASH AND CASH EQUIVALENTS

- (a) For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 31 December 2023	As at 31 December 2022
Cash	1,188,976	1,089,606
Surplus reserve with the central bank	26,316,702	35,477,802
Deposits and placements with banks and other financial institutions	16,051,907	10,726,755
Total	43,557,585	47,294,163

- (b) Changes in liabilities arising from financing activities

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2023	218,002,133	106,794	958,017
Proceeds from issuance of debt securities	233,390,000	-	-
Interest paid on debt issued	(5,064,325)	-	-
Cash paid relating to debt repayments	(269,751,935)	-	-
Cash paid for distribution of dividends	-	(1,826,395)	-
Dividends declared on the Bank's common stock	-	1,791,784	-
Dividends declared to non-controlling shareholders	-	27,720	-
Interest expense	5,085,184	-	32,519
Cash paid relating to lease liabilities	-	-	(379,509)
Other changes in lease liabilities	-	-	378,784
At 31 December 2023	181,661,057	99,903	989,811
	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2022	182,887,991	174,104	943,816
Proceeds from issuance of debt securities	251,310,000	-	-
Interest paid on debt issued	(5,090,003)	-	-
Cash paid relating to debt repayments	(216,232,268)	-	-
Cash paid for distribution of dividends	-	(1,326,621)	-
Dividends declared on the Bank's common stock	-	1,236,192	-
Dividends declared to non-controlling shareholders	-	23,119	-
Interest expense	5,126,413	-	35,041
Cash paid relating to lease liabilities	-	-	(385,620)
Other changes in lease liabilities	-	-	364,780
At 31 December 2022	218,002,133	106,794	958,017

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49 CREDIT ASSETS SECURITIZATION TRANSACTIONS

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB0.72 billion as at 31 December 2023 (31 December 2022: RMB0.84 billion), which also approximates the Group's maximum exposure to loss.

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 transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. In 2023, the Group is not required to have continuing involvement through acquiring some tranches (for the year ended 31 December 2022: None). As at 31 December 2023, the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB2.02 billion (31 December 2022: RMB2.18 billion).

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50 RELATED PARTY TRANSACTIONS

(1) Related parties

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% in 2023:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.	Major shareholder	Beijing	Wang Yuling	10,000,000	Invest in equity, debt, funds, etc.; Manage the relevant assets of the deposit insurance fund in accordance with the law; Directly or on behalf of acquiring, operating, managing and disposing of assets; Handle deposit insurance related business in accordance with the law; asset valuation; Other businesses approved by relevant departments.	11.22%
Zhongjing Xinhua Asset Management Co., Ltd. ^(Note1)	Major shareholder	Huangshan, Anhui	Zhu Hua	2,875,000	Enterprise investment management, merger and acquisition, etc	10.59%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Chen Xiang	10,000,000	Financing and investment management of energy construction, etc	9.70%
Anhui Credit Financing Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Wang Zhaoyuan	18,686,000	Financing guarantee, etc	7.46%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development, etc	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Huang Linmu	6,000,000	Capital operation and asset management, etc	6.29%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction, etc	5.10%

Note 1: Zhongjing Xinhua Asset Management Co., Ltd. The legal representative has been changed to Zhu Hua on August 28, 2023.

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related parties (Continued)

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% in 2022:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd. ^(Note 1)	Major shareholder	Beijing	Wang Yuling	10,000,000	Invest in equity, debt, funds, etc.; Manage the relevant assets of the deposit insurance fund in accordance with the law; Directly or on behalf of acquiring, operating, managing and disposing of assets; Handle deposit insurance related business in accordance with the law; asset valuation; Other businesses approved by relevant departments.	11.22%
Zhongjing Xinhua Asset Management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition, etc	10.59%
Anhui Province Energy Group Co., Ltd. ^(Note 2)	Major shareholder	Hefei, Anhui	Chen Xiang	10,000,000	Financing and investment management of energy construction, etc	9.70%
Anhui Credit Financing Guaranty Group Co., Ltd. ^(Note 3)	Major shareholder	Hefei, Anhui	Wang Zhaoyuan	18,686,000	Financing guarantee, etc	7.27%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development, etc	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd. ^(Note 4)	Major shareholder	Hefei, Anhui	Huang Linmu	6,000,000	Capital operation and asset management, etc	6.29%
Anhui Transportation Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction, etc	5.10%

Note 1: The substantial shareholder Deposit Insurance Fund Management Co., Ltd. has changed the legal representative to Wang Yuling on 16 November 2022.

Note 2: The substantial shareholder Anhui Province Energy Group Co., Ltd. has changed the registered capital to RMB10 billion on 26 September 2022.

Note 3: The substantial shareholder Anhui Credit Financing Guaranty Group Co., Ltd. has changed the legal representative to Wang Zhaoyuan on 20 July 2022.

Note 4: The substantial shareholder Anhui Guoyuan Financial Holding Group Co., Ltd. has changed the legal representative to Huang Linmu on 14 July 2022.

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) 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 the transactions with independent third parties.

(a) Transactions with major shareholders and balances

As at balance sheet date stated below, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	1,800,000	5.10%	900,000	4.35%
Loans and advances to customers	2,710,383	0.32%	2,323,562	0.32%
Financial assets	1,890,000	0.27%	1,050,000	0.18%
Placements from banks and other financial institutions	45,056	0.03%	32,412	0.03%
Deposits from customers	5,387,820	0.52%	22,951,563	2.51%
Bank acceptance	5,200	0.01%	74,963	0.11%
Letters of guarantee issued	30,660	0.09%	5,234	0.01%
Letters of credit issued	64,870	0.19%	400,000	1.51%
Total	11,933,989	0.41%	27,737,734	1.10%

	As at 31 December 2023	As at 31 December 2022
Loans and advances to customers	2.00%-5.95%	3.00%-6.00%
Placements from banks and other financial institutions	0.20%-1.00%	0.35%-0.72%
Deposits from customers	0.20%-4.00%	0.25%-4.18%

As for the years stated below, the interest income of loans, the interest income from reverse repos, the interest expense of deposits, management fees and custodian fees with respect to major shareholders are as follows:

	2023		2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	102,217	0.16%	49,739	0.08%
Interest expense	379,130	1.05%	582,756	1.81%
Fee and commission income	4,306	0.13%	10,574	0.23%
Fee and commission expense	5,151	1.23%	11,540	2.81%

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(b) Transactions with other related parties and balances

As at the balance sheet date stated below, the balances and interest rate ranges of transactions with other related parties of the Group are as follows:

	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	4,579,317	0.54%	2,481,839	0.34%
Financial assets	515,000	0.07%	245,000	0.04%
Placements from banks and other financial institutions	15,959	0.01%	4,482	0.01%
Deposits from customers	5,395,843	0.52%	2,948,339	0.32%
Bank acceptance	652,442	0.87%	373,126	0.57%
Letters of guarantee issued	357,735	1.06%	281,476	0.73%
Letters of credit issued	380,971	1.11%	262,000	0.99%
Loan commitments	60,000	20.43%	85,000	10.96%
Total	11,957,267	0.41%	6,681,262	0.27%

	As at 31 December 2023	As at 31 December 2022
Loans and advances to customers	2.00%-6.00%	1.80%-5.23%
Placements from banks and other financial institutions	0.35%	0.35%
Deposits from customers	0.05%-5.95%	0.25%-4.18%

The interest income of loans, the interest expense of deposits, management fees and custodian fees with respect to other related parties are as follows:

	2023		2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	194,291	0.30%	85,109	0.14%
Interest expense	235,122	0.65%	37,119	0.12%
Fee and commission income	2,393	0.07%	8,358	0.18%
Fee and commission expense	157	0.04%	3,454	0.84%

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50 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(c) Transactions with associates

As at balance sheet dates stated below, the balances and interest rate ranges of transactions with associates of the Group are as follows:

	As at 31 December 2023		As at 31 December 2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	2,200,000	6.24%	2,000,000	9.66%
Financial assets	300,000	0.04%	300,000	0.05%
Placements from banks and other financial institutions	176,068	0.11%	144,127	0.12%
Total	2,676,068	0.30%	2,444,127	0.33%

	As at 31 December 2023	As at 31 December 2022
Placements with and loans to banks and other financial institutions	3.55%-4.00%	3.00%-3.50%
Placements from banks and other financial institutions	0.72%	0.72%-1.08%

The interest expense of deposits with respect to associates are as follows:

	2023		2022	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest expense	2,238	0.01%	144	0.01%
Fee and commission income	-	-	1	0.01%

(d) Balances and transactions between the Group and the following major shareholders and entities under their control

	2023	2022
Emoluments for directors, supervisors and senior management	21,558	20,704

	2023	2022
Balances at the end of the year		
Loans and advances to customers	2,606	3,826
Deposits from customers	4,154	3,898

	2023	2022
Transactions during the year		
Interest income	184	237
Interest expense	73	71

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51 SEGMENT ANALYSIS

The Group manages its operations in terms of both business and geographic areas. In this year, some of the Group's operating segment data were refined according to the internal management system, and prior years' data were adjusted accordingly.

From the business perspective, the Group provides services through four main business segments listed below:

Corporate banking

Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

Retail banking

Services to retail customers including savings deposits, personal loans and advances, credit cards and debit cards, payments and settlements, wealth management products, funds and insurance agency services, and other types of business, etc.

Treasury

Conducts securities investment, money market and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest-bearing assets and liabilities and foreign currency translation gains and losses.

Others

Comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

Geographically, the Group mainly conducts its business in the PRC with its branches in Anhui Province and the Yangtze River Delta area. When presenting information based on geographic areas, revenue is classified by the area where the branches are located; assets and liabilities and capital expense of segments are classified by the branch to which they belong.

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51 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2023				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	31,949,785	13,666,400	19,376,265	-	64,992,450
Net interest expense to external customers	(10,493,842)	(12,916,097)	(12,862,306)	-	(36,272,245)
Intersegment net interest income/(expense)	(3,932,027)	7,249,926	(3,317,899)	-	-
Net interest income	17,523,916	8,000,229	3,196,060	-	28,720,205
Net fee and commission income	1,190,192	817,848	797,195	-	2,805,235
Net trading gains	-	-	3,601,426	-	3,601,426
Net gains from investment securities	-	-	609,265	-	609,265
Dividend income	-	-	4,640	-	4,640
Other operating income	247,895	249,657	69,987	57,030	624,569
Operating expenses	(3,006,099)	(4,782,745)	(466,063)	(1,944,461)	(10,199,368)
– Depreciation and amortisation	(418,444)	(443,384)	(42,066)	(175,502)	(1,079,396)
Impairment losses on credits	(5,728,763)	(3,401,690)	560,802	-	(8,569,651)
Impairment losses on assets	-	-	(228,687)	-	(228,687)
Share of profits of associates	-	-	-	289,272	289,272
Profit before income tax and impairment loss	15,955,904	4,284,989	7,812,510	(1,598,159)	26,455,244
Profit before income tax	10,227,141	883,299	8,144,625	(1,598,159)	17,656,906
Capital expenditure	183,614	292,131	28,467	118,768	622,980

	As at 31 December 2023				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	623,274,667	322,114,923	841,364,166	5,151,471	1,791,905,227
Including: investments in associates				5,151,471	5,151,471
Deferred tax assets					14,238,323
Total assets					1,806,143,550
Segment liabilities	(472,513,542)	(574,946,730)	(603,408,585)	(8,547,851)	(1,659,416,708)
Off-balance sheet credit commitments	143,149,901	43,973,626	-	-	187,123,527

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51 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	26,440,610	14,084,233	20,437,383	–	60,962,226
Net interest expense to external customers	(9,163,674)	(9,547,037)	(13,546,854)	–	(32,257,565)
Intersegment net interest income/(expense)	(513,544)	3,103,835	(2,590,291)	–	–
Net interest income	16,763,392	7,641,031	4,300,238	–	28,704,661
Net fee and commission income	1,194,772	2,248,998	736,121	–	4,179,891
Net trading gains	–	–	2,119,173	–	2,119,173
Net gains from investment securities	–	–	745,599	–	745,599
Dividend income	–	–	6,400	–	6,400
Other operating income	–	–	201,216	272,701	473,917
Operating expenses	(2,307,272)	(4,685,643)	(644,616)	(1,836,931)	(9,474,462)
– Depreciation and amortisation	(341,594)	(458,209)	(22,566)	(213,511)	(1,035,880)
Impairment losses on credits	(3,941,382)	(3,191,834)	262,975	–	(6,870,241)
Impairment losses on assets	–	–	(2,791,750)	–	(2,791,750)
Share of profits of associates	–	–	–	221,953	221,953
Profit before income tax and impairment loss	15,650,892	5,204,386	7,464,131	(1,342,277)	26,977,132
Profit before income tax	11,709,510	2,012,552	4,935,356	(1,342,277)	17,315,141
Capital expenditure	127,401	285,548	14,063	133,056	560,068

	As at 31 December 2022				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	548,057,164	290,981,625	722,617,567	4,923,502	1,566,579,858
Including: investments in associates	–	–	–	4,923,502	4,923,502
Deferred tax assets					13,655,828
Total assets					1,580,235,686
Segment liabilities	(542,773,213)	(378,376,193)	(528,982,742)	(7,281,880)	(1,457,414,028)
Off-balance sheet credit commitments	129,625,494	41,880,342	–	–	171,505,836

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51 SEGMENT ANALYSIS (CONTINUED)

For the year ended 31 December 2023						
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	Total
Net interest income from external customers	39,290,677	2,030,453	21,101,105	2,570,215	-	64,992,450
Net interest expense to external customers	(22,050,098)	(1,048,082)	(11,080,317)	(2,093,748)	-	(36,272,245)
Intersegment net interest income/(expense)	7,639,312	(177,599)	(8,214,765)	753,052	-	-
Net interest income	24,879,891	804,772	1,806,023	1,229,519	-	28,720,205
Net fee and commission income	2,086,010	241,258	114,303	363,664	-	2,805,235
Net trading gains	13,423	1,839	4,355,431	(769,267)	-	3,601,426
Net gains from investment securities	33,505	13,514	312,786	249,460	-	609,265
Dividend income	-	-	4,640	-	-	4,640
Other operating income	536,396	5,804	48,818	33,551	-	624,569
Operating expenses	(6,816,862)	(435,498)	(1,984,313)	(962,695)	-	(10,199,368)
– Depreciation and amortisation	(514,638)	(39,066)	(316,364)	(209,328)	-	(1,079,396)
Impairment losses on credits	(5,079,128)	(688,272)	(966,704)	(1,835,547)	-	(8,569,651)
Impairment losses on assets	-	-	-	(228,687)	-	(228,687)
Share of profits of associates	-	-	289,272	-	-	289,272
Profit before income tax and impairment loss	20,732,363	631,689	4,946,960	144,232	-	26,455,244
Profit before income tax	15,653,235	(56,583)	3,980,256	(1,920,002)	-	17,656,906
Capital expenditure	444,126	2,037	143,306	33,511	-	622,980

As at 31 December 2023						
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	Total
Segment assets	1,067,479,042	52,782,348	590,693,148	90,309,395	(9,358,706)	1,791,905,227
Including: investments in associates	-	-	5,151,471	-	-	5,151,471
Deferred tax assets						14,238,323
Total assets						1,806,143,550
Segment liabilities	(1,041,055,735)	(52,198,345)	(481,472,332)	(90,239,869)	5,549,573	(1,659,416,708)
Off-balance sheet credit commitments	127,640,839	29,083,189	13,192	31,243,747	(857,440)	187,123,527

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51 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2022					Total
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	
Net interest income from external customers	42,251,905	2,788,838	13,855,037	2,066,446	-	60,962,226
Net interest expense to external customers	(21,605,100)	(1,426,045)	(7,084,637)	(2,141,783)	-	(32,257,565)
Intersegment net interest income/(expense)	2,429,905	160,386	(3,790,474)	1,200,183	-	-
Net interest income	23,076,710	1,523,179	2,979,926	1,124,846	-	28,704,661
Net fee and commission income	2,815,654	185,847	923,295	255,095	-	4,179,891
Net trading gains	1,637,110	108,057	536,833	(162,827)	-	2,119,173
Net gains from investment securities	534,893	35,306	175,400	-	-	745,599
Dividend income	4,591	303	1,506	-	-	6,400
Other operating income	334,369	22,070	109,644	7,834	-	473,917
Operating expenses	(7,042,411)	(404,395)	(1,093,373)	(934,283)	-	(9,474,462)
– Depreciation and amortisation	(595,314)	(39,294)	(195,212)	(206,060)	-	(1,035,880)
Impairment losses on credits	(3,364,100)	(222,048)	(1,103,139)	(2,180,954)	-	(6,870,241)
Impairment losses on assets	-	-	-	(2,791,750)	-	(2,791,750)
Share of profits of associates	-	-	221,953	-	-	221,953
Profit before income tax and impairment loss	21,360,916	1,470,367	3,855,184	290,665	-	26,977,132
Profit before income tax	17,996,816	1,248,319	2,752,045	(4,682,039)	-	17,315,141
Capital expenditure	347,548	22,940	113,966	75,614	-	560,068

	As at 31 December 2022					Total
	Anhui Province	Jiangsu Province	Head Office	Others	Intersegment eliminations	
Segment assets	954,658,562	47,452,023	507,325,845	65,035,208	(7,891,780)	1,566,579,858
Including: investments in associates	-	-	4,923,502	-	-	4,923,502
Deferred tax assets						13,655,828
Total assets						1,580,235,686
Segment liabilities	(935,816,401)	(46,667,160)	(425,284,877)	(53,728,237)	4,082,647	(1,457,414,028)
Off-balance sheet credit commitments	153,172,047	19,508,225	12,564	1,110,000	(2,297,000)	171,505,836

There were no material transactions with a single external customer that the Group mainly relies on.

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52 FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also includes currency risk and interest rate risk.

The Board of Directors is the responsible for establishing the overall risk appetite of the Group. Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

52.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements: such as loan commitments. The Group mainly conducts its business in Anhui Province of the PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to management regularly.

52.1.1 Credit risk measurement

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to the present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECLs by three stages:

- Stage 1: Financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECLs of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECLs over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECLs for the lifetime of the financial instruments.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECLs over the entire lifetime of the financial instrument. However, at the balance sheet date of the current year, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance for the financial instruments on the balance sheet date of the current year according to the ECL in the next 12 months.

The Group shall measure ECLs on a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

When measuring ECLs, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of occurrence of a credit loss is very low.

The Group conducts an assessment of ECLs according to forward-looking information and uses complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECLs
- Forward-looking information
- Modification of contractual cash flows

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

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

- The debtor's contractual payments (including principal or interest) is overdue (excluding short-term overdue caused by operational or technical reasons) and the overdue period does not exceed 90 days (including 90 days)

Qualitative criteria

- Significant adverse change in debtor's operation or financial status
- Be classified into the Special Mention category within the five-tier loan classification
- Be listed on the watch-list
- Debtors with internal ratings of CCC, CC, C

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Definition of credit-impaired financial assets

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 a credit impairment of debtor has occurred, the following factors are mainly considered:

- 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;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

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.

Parameters for ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets based on 12-month ECLs or lifetime ECLs. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Parameters for ECL measurement (Continued)

The definitions are as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss on risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types, such as gross domestic production (seasonal), industrial-value added (monthly), consumer price index, producer price index, private fixed asset investment, total retail sale of consumer goods, measure of money supply, new loans in RMB.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies specialists' judgement in this process, according to the result of specialists' judgement. The Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with specialists' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (stage 1) or lifetime (stage 2 and stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in the derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of the modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL), at the same time, the calculation basis of the loss allowance was changed from the expected credit loss of the entire duration to the expected credit loss of 12 months, when the assets have met specific criteria after a period of observation. As at 31 December 2022, the carrying amount of financial assets with such modified contractual cash flows was not significant.

(i) Loans and advances and off-balance sheet commitments

The Group has developed a five-category classification system for credit assets to measure and manage the quality of the Group's credit assets in accordance with the CBRC's guidelines for the classification of loan risks. The five-category classification system and the guidelines for loan risk classification require that credit assets, both within and off the balance sheet, be divided into pass, special mention, sub-standard, doubtful and loss, of which the latter three types of loans are considered non-performing loans.

The core definition of credit asset classification in the guidelines for the classification of loan risks is:

Pass: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special Mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Sub Standard: loans for which borrowers' ability to service the loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: The borrower is unable to repay the loan principal and interest in full, and even if the guarantee is executed, it will certainly cause a great loss.

Loss: After all possible measures or all necessary legal proceedings have been taken, the principal and interest remain uncollectible or can only be recovered in very few parts.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.1 Credit risk measurement (Continued)

(ii) *Debt securities and other bills*

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. So far, the Group holds no foreign currency bonds.

(iii) *Deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements*

The Group's Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

(iv) *Other financial assets classified as measured at amortised costs*

Other financial assets classified as measured at amortised cost include interbank financial products, fund trust schemes and asset management schemes issued by bank financial institutions. The Group implements a rating access system for cooperating trust companies, securities companies and fund companies, and conducts regular follow-up risk management.

52.1.2 Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Group implements a first-level legal person management system. The Group grants branches and business departments operational authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral type, and scale of customers, Head Office gives dynamic authority to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.

(i) *Credit risk mitigation policies*

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent practices include the taking of physical or cash collateral, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit certificates, debt securities and commodity warehouse receipts, etc.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.2 Risk limit control and mitigation policies (Continued)

(i) Credit risk mitigation policies (Continued)

The fair value of collateral should be assessed by professional valuation firms appointed by the Group. The Group has set a maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collateral. The principal collateral types and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, and construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipts	60%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

(ii) Credit-related off-balance sheet commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, the Group carries the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December 2023	As at 31 December 2022
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Balances with the central bank	97,422,787	103,604,004
Deposits with banks and other financial institutions	14,409,056	10,719,612
Placements with banks and other financial institutions	35,272,020	20,695,386
Derivative financial assets	100,201	129,682
Financial assets held under resale agreements	24,774,508	12,658,904
Loans and advances to customers	846,082,311	734,798,375
Investment securities – financial assets at fair value through profit or loss	175,845,337	121,962,050
Investment securities – financial assets at fair value through other comprehensive income	169,061,117	139,649,320
Investment securities – financial assets at amortised cost	341,763,332	334,781,873
Finance lease receivables	58,683,197	57,807,458
Other financial assets	1,158,546	1,498,026
Total	1,764,572,412	1,538,304,690
Credit risk exposures in relation to off-balance sheet items are as follows:		
Bank acceptance	74,698,817	66,038,457
Letters of credit	34,280,402	24,247,898
Letters of guarantee	33,877,057	38,563,607
Loan commitments	293,625	775,532
Unused credit card lines	43,973,626	41,880,342
Total	187,123,527	171,505,836

The above table represents the worst-case scenario of credit risk exposure to the Group at 31 December 2023 and 31 December 2022, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As mentioned above, 47.94% of on-balance-sheet exposure is attributable to loans and advances to customers (31 December 2022: 47.77%).

Management is confident in its ability to continue to control and sustain the Group's minimal exposure to credit risk from its loans and advances portfolio based on the following:

- 97.94% of the loans and advances are categorized as Pass in the five-category system (31 December 2022: 97.16%);
- Collateralized loans and mortgage loans, which represent the largest group in the corporate and retail portfolio respectively, are secured by collateral; and
- 98.44% of the loans and advances are considered to be neither past due nor impaired (31 December 2022: 98.19%)

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.4 Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements

Their credit risk can be evaluated based on the credibility of the counterparties.

	As at 31 December 2023	As at 31 December 2022
Commercial banks in Mainland China	18,065,515	10,150,830
Other financial institutions in Mainland China	55,827,961	33,265,844
Commercial banks outside Mainland China	562,108	657,228
Total	74,455,584	44,073,902

52.1.5 Loans and advances to customers

Three-staging exposure of loans and advances

Loans and advances to customers (excluding interest receivable) are analysed by the five-category loan classification and three-staging exposure as follows:

	As at 31 December 2023			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
Pass	849,645,455	6,537,750	–	856,183,205
Special-mention	–	7,017,592	–	7,017,592
Impaired	–	–	11,021,798	11,021,798
Total	849,645,455	13,555,342	11,021,798	874,222,595

	As at 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
Pass	737,938,498	4,632,501	–	742,570,999
Special-mention	–	10,377,123	–	10,377,123
Impaired	–	–	11,360,932	11,360,932
Total	737,938,498	15,009,624	11,360,932	764,309,054

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(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(a) Analysis of loans and advances to customers by industry

Concentrations of credit risk of loans and advances to customers (excluding accrued interest) by industry are analysed as follows:

	As at 31 December 2023		As at 31 December 2022	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	98,338,383	11	86,260,567	10
Manufacturing	97,874,714	11	75,460,969	9
Public utilities	223,167,928	25	181,779,370	24
Real estate	34,647,577	4	34,224,662	4
Construction	39,305,174	4	34,403,768	5
Transportation	12,070,968	1	10,857,188	1
Energy and chemistry	35,554,892	4	30,772,668	4
Catering and travelling	1,084,913	1	758,064	1
Education and media	3,655,159	1	3,621,511	1
Financial services	5,623,189	1	4,968,167	1
Others	7,184,496	2	3,610,663	1
Discounted bills	56,381,641	6	43,509,833	6
Subtotal	614,889,034	71	510,227,430	67
Personal loans and advances				
Mortgages	126,409,439	14	124,425,045	16
Credit cards	10,844,787	1	23,541,838	3
Others	122,079,335	14	106,114,741	14
Subtotal	259,333,561	29	254,081,624	33
Total loans and advances to customers, before impairment allowance	874,222,595	100	764,309,054	100

The risk concentration analysis of the industry distribution of loans and advances to customers during the year is defined based on the industry in which the borrower's loans are invested, which is consistent with the calibre of the reporting to the relevant regulatory agencies, and the data of previous years are adjusted accordingly. The classification standard of the investment industry is determined according to the National Economic Industry Classification (GB/T4754-2017) issued by the National Standardization Administration Committee and the State General Administration of Quality Supervision, Inspection and Quarantine in 2017.

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(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers (excluding accrued interest) are analysed by security type as follows:

	As at 31 December 2023	As at 31 December 2022
Unsecured	176,990,372	167,949,745
Guaranteed	254,677,032	175,284,041
Collateralized	226,103,679	223,644,624
Pledged	216,451,512	197,430,644
Total loans and advances to customers	874,222,595	764,309,054

(c) Analysis of loans and advances to customers (excluding accrued interest) by geographical area

	As at 31 December 2023			As at 31 December 2022		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	767,053,417	87.74%	1.01%	665,858,912	87.12%	1.14%
Jiangsu Province	53,559,125	6.13%	3.31%	51,515,358	6.74%	3.34%
Others	53,610,053	6.13%	2.81%	46,934,784	6.14%	4.38%
Total loans and advances to customers	874,222,595	100.00%	1.26%	764,309,054	100.00%	1.49%

(d) Analysis of loans and advances to customers (excluding accrued interest) by overdue and impaired status

	As at 31 December 2023		As at 31 December 2022	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired ^(e)	606,591,740	254,007,899	500,756,662	249,695,215
Overdue but not impaired ^(f)	212,240	2,388,918	397,053	2,099,192
Impaired ^(g)	8,085,054	2,936,744	9,073,715	2,287,217
Total	614,889,034	259,333,561	510,227,430	254,081,624
Less: impairment allowance	(21,773,783)	(8,095,118)	(24,887,267)	(6,492,450)
Net	593,115,251	251,238,443	485,340,163	247,589,174

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(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(e) Loans and advances neither past due nor impaired

As at 31 December 2023

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	545,932,650	4,277,449	550,210,099
– Discounted bills	56,381,641	–	56,381,641
Subtotal	602,314,291	4,277,449	606,591,740
Personal loans and advances	253,840,473	167,426	254,007,899
Total	856,154,764	4,444,875	860,599,639

As at 31 December 2022

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	448,335,861	8,910,968	457,246,829
– Discounted bills	43,509,833	–	43,509,833
Subtotal	491,845,694	8,910,968	500,756,662
Personal loans and advances	249,566,531	128,684	249,695,215
Total	741,412,225	9,039,652	750,451,877

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(f) Loans and advances overdue but not impaired

Analysis of loans and advances overdue but not impaired by overdue days:

As at 31 December 2023

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	85,536	84,876	41,828	212,240
Personal loans and advances	1,397,137	770,532	221,249	2,388,918
Total	1,482,673	855,408	263,077	2,601,158

As at 31 December 2022

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	310,986	86,067	–	397,053
Personal loans and advances	1,413,070	686,122	–	2,099,192
Total	1,724,056	772,189	–	2,496,245

The Group is of the opinion that these past due loans can be recovered by the operating income from borrowers, the payment from guarantors or disposal of collateral and are therefore not impaired.

As at 31 December 2023, the fair value of collateral for corporate loans that were past due but not impaired amounted to RMB19,663 thousand and RMB81,119 thousand. The fair value for retail loans that were past due but not impaired amounted to RMB1,209,776 thousand and RMB1,211,102 thousand.

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of the related collateral held by the Group as security, is as follows:

	As at 31 December 2023	As at 31 December 2022
Corporate loans	8,085,054	9,073,715
Personal loans and advances	2,936,744	2,287,217
Total	11,021,798	11,360,932
Fair value of collateral		
Corporate loans	6,795,317	9,031,373
Personal loans and advances	1,016,451	965,890
Total	7,811,768	9,997,263

The fair value of collateral is estimated based on the latest external valuations available, considering the liquidity of the current collateral and the market conditions.

(h) Restructured loans and advances

Restructured loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 31 December 2023, the carrying value of the restructured loans held by the Group amounted to RMB0.99 billion (31 December 2022: RMB4.13 billion).

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.5 Loans and advances to customers (Continued)

(i) Overdue loans and advances by overdue days and collateral type

	As at 31 December 2023				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,169,619	1,499,245	423,188	79,818	3,171,870
Guaranteed	1,136,350	1,149,538	339,402	532,801	3,158,091
Collateralized	1,584,209	2,154,228	390,628	95,302	4,224,367
Pledged	36,869	1,975	–	59,643	98,487
Total	3,927,047	4,804,986	1,153,218	767,564	10,652,815

	As at 31 December 2022				
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,287,569	962,315	368,642	3,400,764	6,019,290
Guaranteed	851,615	527,219	1,642,346	219,011	3,240,191
Collateralized	1,441,172	1,052,050	507,631	68,334	3,069,187
Pledged	136,407	91,855	644,711	–	872,973
Total	3,716,763	2,633,439	3,163,330	3,688,109	13,201,641

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities

The table below presents an analysis of financial investments at amortised cost (excluding interest receivable) by independent credit rating agencies:

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	127,983,891	–	–	127,983,891
AA- to AA+	20,742,169	–	–	20,742,169
A- to A+	–	–	–	–
Unrated ^(a)	189,462,598	879,000	5,999,469	196,341,067
Total	338,188,658	879,000	5,999,469	345,067,127
Less: allowance for impairment losses	(2,864,918)	(403,058)	(6,005,731)	(9,273,707)
Net balance	335,323,740	475,942	(6,262)	335,793,420

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	114,225,668	118,311	–	114,343,979
AA- to AA+	7,070,605	–	–	7,070,605
A- to A+	477,964	–	–	477,964
Unrated ^(a)	207,238,122	3,169,150	6,096,267	216,503,539
Total	329,012,359	3,287,461	6,096,267	338,396,087
Less: allowance for impairment losses	(2,425,938)	(1,861,925)	(5,987,386)	(10,275,249)
Net balance	326,586,421	1,425,536	108,881	328,120,838

The movements of financial assets at amortised cost are as follows:

	As at 31 December 2023			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2023	2,425,938	1,861,925	5,987,386	10,275,249
Addition	439,603	(1,420,437)	147,099	(833,735)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(623)	623	–	–
Transfers to Stage 3	–	(39,053)	39,053	–
Write-off and transfer out	–	–	(167,807)	(167,807)
Recovery of loans and advances written off	–	–	–	–
At 31 December 2023	2,864,918	403,058	6,005,731	9,273,707

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities (Continued)

This year, the domestic branch adjusted the five-level classification and customer rating of financial assets at amortised cost, and the principal of the financial investments of stage 2 which was transferred to stage 3 was RMB0.11 billion.

As at 31 December 2022				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2022	3,516,490	247,889	10,111,885	13,876,264
Addition	(986,326)	1,543,883	(1,222,204)	(664,647)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(104,226)	104,226	–	–
Transfers to Stage 3	–	(34,073)	34,073	–
Write-off and transfer out	–	–	(2,936,368)	(2,936,368)
Recovery of loans and advances written off	–	–	–	–
At 31 December 2022	2,425,938	1,861,925	5,987,386	10,275,249

The table below presents an analysis of debt instruments in financial assets at fair value through other comprehensive income (excluding accrued interest) by independent credit rating agencies:

As at 31 December 2023				
	Stage 1	Stage 2	Stage 3	Total
AAA	49,987,027	–	–	49,987,027
AA- to AA+	43,611,497	201,658	–	43,813,155
A- to A+	–	–	–	–
Unrated ^(b)	72,349,081	–	161,514	72,510,595
Total	165,947,605	201,658	161,514	166,310,777
Allowance for impairment losses	(812,964)	(101,054)	(171,450)	(1,085,468)

As at 31 December 2022				
	Stage 1	Stage 2	Stage 3	Total
AAA	36,984,023	171,450	–	37,155,473
AA- to AA+	14,949,439	–	–	14,949,439
A- to A+	45,912	–	–	45,912
Unrated ^(b)	84,916,381	–	–	84,916,381
Total	136,895,755	171,450	–	137,067,205
Allowance for impairment losses	(790,053)	(44,255)	–	(834,308)

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities (Continued)

The allowance movements of debt instruments of financial assets at fair value through other comprehensive income are as follows:

As at 31 December 2023				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2023	790,053	44,255	–	834,308
Addition	22,911	101,054	127,195	251,160
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	(44,255)	44,255	–
Written and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 31 December 2023	812,964	101,054	171,450	1,085,468
As at 31 December 2022				
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2022	419,927	–	–	419,927
Addition	373,880	40,501	–	414,381
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,754)	3,754	–	–
Transfers to Stage 3	–	–	–	–
Written and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 31 December 2022	790,053	44,255	–	834,308

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.6 Debt securities (Continued)

The table below presents an analysis of financial investments at fair value through profit or loss (excluding accrued interest) by independent credit rating agencies:

	As at 31 December 2023	As at 31 December 2022
AAA	15,694,894	6,183,296
AA- to AA+	8,719,200	5,543,362
A- to A+	–	52,240
C	–	–
Unrated ^(c)	149,621,947	109,782,344
Total	174,036,041	121,561,242

(a) The unrated financial assets at amortised cost held by the Group mainly represent investments issued by the MOF, policy banks and creditworthy issuers in the market, etc., as well as investments of asset management schemes, trusts and principal-guaranteed wealth management products issued by other financial institutions.

(b) The unrated debt instruments of financial assets at fair value through other comprehensive income held by the Group mainly represent investments issued by the MOF, policy banks, other financial institutions.

(c) The unrated debt instruments of financial assets at fair value through profit or loss held by the Group mainly represent investments and trading securities issued by the MOF, policy banks and creditworthy issuers in the market, etc., as well as investments of asset management schemes, trusts and wealth management products issued by other financial institutions.

52.1.7 Foreclosed collateral

	As at 31 December 2023	As at 31 December 2022
Property and land use rights	142,229	106,708
Others	124,516	140,586
Total	266,745	247,294
Allowance for impairment losses (Note 31)	(93,649)	(93,649)
Net balance	173,096	153,645

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified within other assets at the balance sheet date.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.1 Credit risk (Continued)

52.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

As at 31 December 2023	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	97,422,787	-	-	97,422,787
Deposits with banks and other financial institutions	13,882,423	12,357	514,276	14,409,056
Placements with banks and other financial institutions	34,736,074	-	535,946	35,272,020
Derivative financial assets	100,201	-	-	100,201
Financial assets held under resale agreements	24,774,508	-	-	24,774,508
Loans and advances to customers	846,082,311	-	-	846,082,311
Financial investments – financial assets at fair value through profit or loss	175,845,337	-	-	175,845,337
Financial investments – financial assets at fair value through other comprehensive income	169,061,117	-	-	169,061,117
Financial investments – financial assets at amortised cost	339,058,049	2,705,283	-	341,763,332
Finance lease receivables	58,683,197	-	-	58,683,197
Other financial assets	1,158,546	-	-	1,158,546
Total	1,760,804,550	2,717,640	1,050,222	1,764,572,412

The Group's off-balance sheet business credit risk exposures are all concentrated in Chinese Mainland.

As at 31 December 2022	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	103,604,004	-	-	103,604,004
Deposits with banks and other financial institutions	10,124,961	21,983	572,668	10,719,612
Placements with banks and other financial institutions	20,632,810	-	62,576	20,695,386
Derivative financial assets	129,682	-	-	129,682
Financial assets held under resale agreements	12,658,904	-	-	12,658,904
Loans and advances to customers	734,798,375	-	-	734,798,375
Financial investments – financial assets at fair value through profit or loss	121,962,050	-	-	121,962,050
Financial investments – financial assets at fair value through other comprehensive income	139,649,320	-	-	139,649,320
Financial investments – financial assets at amortised cost	333,039,614	1,742,259	-	334,781,873
Finance lease receivables	57,807,458	-	-	57,807,458
Other financial assets	1,498,026	-	-	1,498,026
Total	1,535,905,204	1,764,242	635,244	1,538,304,690

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk

52.2.1 Overview

The Group has exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Group's market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulting from changes in interest rates, foreign exchange rates and term structures.

The Board of Directors of the Group takes the ultimate responsibility for the oversight of market risk management and is responsible for the identification, measurement, monitoring, control and reporting of market risks on a group basis. Within the authorization of the board of directors, management is fully responsible for implementing the market risk management strategy, policies and decisions that are adopted by the board of directors. The Risk Management Department of the Head Office is the unified management department of market risk, institutionally manages the market risks of the whole bank and supervises the implementation of relevant departments.

52.2.2 Market risk measurement techniques

The Group mainly measures and controls market risk by conducting sensitivity analysis, foreign exchange exposure analysis, gap analysis, duration analysis, stress testing and the VaR (value at risk). The Group establishes strict authorization and exposure limits based on its overall ability to afford market risk, the types of products and the Group's business strategy. The Group sets different exposure limits and takes different quantitative measurements to manage different types of market risk of trading book and banking book. The Group also improves its funding risk management system, adjusts the related risk parameter and refines the risk measurement model in accordance with regulatory requirements.

52.2.3 Interest rate risk

Interest rate risk refers to the risk of fluctuation in interest rates which results in an adverse impact on the financial position of the Bank. Interest rate risk of the Bank's primarily arises from the structural mismatch of maturity or re-pricing periods for the bank's portfolio. Such structural mismatch of durations may cause the Bank's interest income to be affected by changes in the prevailing interest rate. In addition, different pricing benchmarks for different products may also lead to interest rate risk for our assets and liabilities within the same re-pricing period. Currently, the Bank primarily assesses its exposure to interest rate risk through gap analysis, sensitivity analysis and duration analysis. The Bank manages its interest rate risk exposure primarily by adjusting the duration of our banking portfolio based on its assessment of potential changes in the interest rate environment.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

The table below summarizes the Group's exposure to interest rate risk. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing and maturity dates.

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest - bearing	Total
Assets							
Cash and balances with central bank	97,382,452	-	-	-	-	1,229,311	98,611,763
Deposits with banks and other financial institutions	14,138,706	95,035	170,062	-	-	5,253	14,409,056
Placements with banks and other financial institutions	2,399,582	11,891,423	20,915,128	-	-	65,887	35,272,020
Derivative financial assets	-	-	-	-	-	100,201	100,201
Financial assets held under resale agreements	24,757,044	-	-	-	-	17,464	24,774,508
Loans and advances to customers	300,139,299	419,166,320	55,644,016	67,131,203	2,824,444	1,177,029	846,082,311
Financial Investments							
- financial assets at fair value through profit or loss	66,179,925	3,300,040	14,357,204	17,253,502	4,386,468	70,782,728	176,259,867
- financial assets at fair value through other comprehensive income	5,760,828	17,042,308	15,431,287	100,243,040	27,833,314	3,055,029	169,365,806
- financial assets at amortised cost	1,210,483	3,813,035	29,859,322	139,953,442	160,957,138	5,969,912	341,763,332
Finance lease receivables	57,356,882	106,628	482,147	737,540	-	-	58,683,197
Other financial assets	-	-	-	-	-	1,158,546	1,158,546
Total assets	569,325,201	455,414,789	136,859,166	325,318,727	196,001,364	83,561,360	1,766,480,607
Liabilities							
Borrowings from central bank	(40,317,194)	(11,755,545)	(85,231,426)	-	-	(782,172)	(138,086,337)
Deposits from banks and other financial institutions	(11,032,123)	(47,680,000)	(93,860,000)	(10,000,000)	-	(1,441,660)	(164,013,783)
Placements from banks and other financial institutions	(10,261,654)	(6,361,000)	(29,226,519)	(720,000)	-	(516,692)	(47,085,865)
Derivative financial liabilities	-	-	-	-	-	(100,667)	(100,667)
Financial assets sold under repurchase agreements	(41,589,402)	(2,790,500)	(22,149,489)	-	-	(321,573)	(66,850,964)
Deposits from customers	(416,315,332)	(69,383,164)	(168,510,061)	(365,949,817)	-	(22,156,693)	(1,042,315,067)
Debt securities issued	(2,605,499)	(44,482,393)	(74,819,499)	(45,000,000)	(14,000,000)	(753,666)	(181,661,057)
Other financial liabilities	(17)	(1,333)	(22,447)	(543,440)	(422,574)	(2,959,567)	(3,949,378)
Total liabilities	(522,121,221)	(182,453,935)	(473,819,441)	(422,213,257)	(14,422,574)	(29,032,690)	(1,644,063,118)
Total interest rate sensitivity gap	47,203,980	272,960,854	(336,960,275)	(96,894,530)	181,578,790	54,528,670	122,417,489

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest - bearing	Total
Assets							
Cash and balances with central bank	103,564,518	-	-	-	-	1,129,092	104,693,610
Deposits with banks and other financial institutions	10,503,572	80,024	130,040	-	-	5,976	10,719,612
Placements with banks and other financial institutions	699,836	5,998,041	13,956,807	-	-	40,702	20,695,386
Derivative financial assets	-	-	-	-	-	129,682	129,682
Financial assets held under resale agreements	12,653,514	-	-	-	-	5,390	12,658,904
Loans and advances to customers	229,985,412	249,334,801	100,799,762	19,890,349	133,143,471	1,644,580	734,798,375
Financial Investments							
- financial assets at fair value through profit or loss	6,681,779	2,899,630	11,925,581	17,358,255	5,293,630	78,796,425	122,955,300
- financial assets at fair value through other comprehensive income	3,010,293	11,667,470	13,006,923	79,501,054	29,881,464	2,874,233	139,941,437
- financial assets at amortised cost	4,015,444	10,966,217	33,603,616	158,252,287	121,283,274	6,661,035	334,781,873
Finance lease receivables	49,738,359	308,696	7,034,073	726,330	-	-	57,807,458
Other financial assets	-	-	-	-	-	1,498,026	1,498,026
Total assets	420,852,727	281,254,879	180,456,802	275,728,275	289,601,839	92,785,141	1,540,679,663
Liabilities							
Borrowings from central bank	(24,143,322)	(8,018,095)	(50,283,141)	-	-	(463,216)	(82,907,774)
Deposits from banks and other financial institutions	(15,392,105)	(12,146,460)	(83,060,457)	(11,300,000)	-	(1,712,217)	(123,611,239)
Placements from banks and other financial institutions	(7,019,125)	(5,296,000)	(29,075,022)	(2,000,000)	-	(472,546)	(43,862,693)
Derivative financial liabilities	-	-	-	-	-	(116,985)	(116,985)
Financial assets sold under repurchase agreements	(37,209,400)	(3,148,060)	(13,869,469)	-	-	(249,496)	(54,476,425)
Deposits from customers	(399,001,412)	(52,203,627)	(183,775,113)	(252,228,116)	(6,947,820)	(18,620,039)	(912,776,127)
Debt securities issued	(9,838,433)	(53,983,666)	(122,512,474)	(17,000,000)	(14,000,000)	(667,560)	(218,002,133)
Other financial liabilities	(52)	(2,020)	(21,334)	(659,595)	(275,017)	(3,971,062)	(4,929,080)
Total liabilities	(492,603,849)	(134,797,928)	(482,597,010)	(283,187,711)	(21,222,837)	(26,273,121)	(1,440,682,456)
Total interest rate sensitivity gap	(71,751,122)	146,456,951	(302,140,208)	(7,459,436)	268,379,002	66,512,020	99,997,207

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.3 Interest rate risk (Continued)

The currency for the majority of Group's interest-bearing assets and liabilities is RMB. The potential impact on net interest income as at the balance sheet date stated below with 100 basis points changes along the yield curve is as follows:

	Estimated changes in net interest income	
	As at 31 December 2023	As at 31 December 2022
100 bps up along the yield curve	3,591,468	1,955,117
100 bps down along the yield curve	(3,591,468)	(1,955,117)

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other comprehensive Income, whose fair values changes are recorded as an element of other comprehensive income. The potential impacts are as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
100 bps up	(4,189,325)	(3,558,508)
100 bps down	4,419,203	3,781,307

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on customers' behaviour resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.4 Exchange rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for controlling the exchange rate risk of the Group is to match assets and liabilities in different currencies and to keep exchange rate risk within limits. Based on the guidelines provided by the Risk Management Committee, relevant laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and traders' limits of authority.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

As at 31 December 2023	RMB	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	98,456,650	154,003	49	1,061	98,611,763
Deposits with banks and other financial institutions	13,067,381	893,672	87,606	360,397	14,409,056
Placements with banks and other financial institutions	35,272,020	-	-	-	35,272,020
Derivative financial assets	96,160	1,963	1,663	415	100,201
Financial assets held under resale agreements	24,774,508	-	-	-	24,774,508
Loans and advances to customers	844,548,266	1,521,091	-	12,954	846,082,311
Financial investments					
– financial assets at fair value through profit or loss	176,250,596	9,271	-	-	176,259,867
– financial assets at fair value through other comprehensive income	169,365,806	-	-	-	169,365,806
– financial assets at amortised cost	341,763,332	-	-	-	341,763,332
Finance lease receivables	58,683,197	-	-	-	58,683,197
Other financial assets	1,129,350	29,196	-	-	1,158,546
Total assets	1,763,407,266	2,609,196	89,318	374,827	1,766,480,607
Liabilities					
Borrowings from central bank	(138,086,337)	-	-	-	(138,086,337)
Deposits from banks and other financial institutions	(164,013,741)	(42)	-	-	(164,013,783)
Placements from banks and other financial institutions	(46,429,214)	(656,651)	-	-	(47,085,865)
Derivative financial liabilities	(91,192)	(3,248)	(1,242)	(4,985)	(100,667)
Financial assets sold under repurchase agreements	(66,850,964)	-	-	-	(66,850,964)
Deposits from customers	(1,038,416,924)	(3,799,057)	(63,961)	(35,125)	(1,042,315,067)
Debt securities issued	(181,661,057)	-	-	-	(181,661,057)
Other financial liabilities	(3,949,378)	-	-	-	(3,949,378)
Total liabilities	(1,639,498,807)	(4,458,998)	(65,203)	(40,110)	(1,644,063,118)
Net on-balance sheet financial position	123,908,459	(1,849,802)	24,115	334,717	122,417,489
Financial guarantees and credit commitments	165,889,861	20,104,824	660,094	468,748	187,123,527

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.4 Exchange rate risk (Continued)

As at 31 December 2022	RMB	USD	EUR	Others	Total
Assets					
Cash and balances with central bank	104,291,692	400,822	32	1,064	104,693,610
Deposits with banks and other financial institutions	5,793,780	1,812,260	3,029,881	83,691	10,719,612
Placements with banks and other financial institutions	20,695,386	-	-	-	20,695,386
Derivative financial assets	87,995	39,806	1,881	-	129,682
Financial assets held under resale agreements	12,658,904	-	-	-	12,658,904
Loans and advances to customers	731,899,405	2,888,568	10,402	-	734,798,375
Financial investments					
– financial assets at fair value through profit or loss	122,945,030	10,270	-	-	122,955,300
– financial assets at fair value through other comprehensive income	139,941,437	-	-	-	139,941,437
– financial assets at amortised cost	334,781,873	-	-	-	334,781,873
Finance lease receivables	57,807,458	-	-	-	57,807,458
Other financial assets	1,496,999	1,027	-	-	1,498,026
Total assets	1,532,399,959	5,152,753	3,042,196	84,755	1,540,679,663
Liabilities					
Borrowings from central bank	(82,907,774)	-	-	-	(82,907,774)
Deposits from banks and other financial institutions	(122,414,777)	(1,196,352)	-	(110)	(123,611,239)
Placements from banks and other financial institutions	(43,206,042)	(656,651)	-	-	(43,862,693)
Derivative financial liabilities	(87,347)	(6,630)	(1,717)	(21,291)	(116,985)
Financial assets sold under repurchase agreements	(54,476,425)	-	-	-	(54,476,425)
Deposits from customers	(906,053,848)	(6,639,651)	(58,654)	(23,974)	(912,776,127)
Debt securities issued	(218,002,133)	-	-	-	(218,002,133)
Other financial liabilities	(4,929,079)	(1)	-	-	(4,929,080)
Total liabilities	(1,432,077,425)	(8,499,285)	(60,371)	(45,375)	(1,440,682,456)
Net on-balance sheet financial position	100,322,534	(3,346,532)	2,981,825	39,380	99,997,207
Financial guarantees and credit commitments	148,054,531	23,063,410	374,249	13,646	171,505,836

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.2 Market risk (Continued)

52.2.4 Exchange rate risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact on net profits resulted from foreign currency translation gain or loss with 1% fluctuation of foreign currency against RMB is as follows:

	Estimated change in net profit/(loss)	
	As at 31 December 2023	As at 31 December 2022
1% of appreciation of foreign exchange against RMB	44,357	30,626
1% of depreciation of foreign exchange against RMB	(44,357)	(30,626)

During the sensitivity analysis, the Group adopts the following assumptions when determining the business conditions and financial index, regardless of:

- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

52.3 Liquidity risk

52.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches is of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues, but it also exposes the Group to greater risks of losses.

The match between the maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash-settled derivatives. According to previous experience, a large portion of matured deposits is not withdrawn on the maturity date. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.2 Cash flows of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 31 December 2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(40,560,772)	(12,177,200)	(87,729,769)	-	-	(140,467,741)
Deposits from banks and other financial institutions	(11,316,587)	(48,371,418)	(95,764,277)	(10,841,869)	-	(166,294,151)
Placements from banks and other financial institutions	(10,791,913)	(6,414,969)	(29,711,293)	(752,769)	-	(47,670,944)
Financial assets sold under repurchase agreements	(41,842,743)	(2,865,690)	(22,696,259)	-	-	(67,404,692)
Deposits from customers	(419,056,755)	(72,794,952)	(176,707,572)	(400,190,782)	-	(1,068,750,061)
Debt securities issued	(2,625,580)	(45,200,831)	(76,229,968)	(46,225,500)	(14,605,400)	(184,887,279)
Other financial liabilities	(2,959,584)	(1,333)	(22,447)	(543,440)	(422,574)	(3,949,378)
Total liabilities (contractual maturity)	(529,153,934)	(187,826,393)	(488,861,585)	(458,554,360)	(15,027,974)	(1,679,424,246)
Assets						
Cash and balances with central bank	98,611,763	-	-	-	-	98,611,763
Deposits with banks and other financial institutions	14,146,159	95,069	170,123	-	-	14,411,351
Placements with banks and other financial institutions	2,498,775	12,113,095	21,112,168	-	-	35,724,038
Financial assets held under resale agreements	25,406,275	-	-	-	-	25,406,275
Loans and advances to customers	54,060,015	42,272,115	170,219,322	327,024,803	509,623,932	1,103,200,187
Financial investments						
- financial assets at fair value through profit or loss	136,591,722	3,363,521	14,015,224	18,391,127	4,595,201	176,956,795
- financial assets at fair value through other comprehensive income	6,347,885	17,671,734	18,538,509	113,109,349	30,252,576	185,920,053
- financial assets at amortised cost	4,952,379	6,202,352	39,560,042	173,293,301	182,355,436	406,363,510
Finance lease receivables	4,303,458	4,322,872	19,297,647	39,587,429	446,999	67,958,405
Other financial assets	638,563	85,737	47,517	378,968	7,761	1,158,546
Financial assets held for managing liquidity risk (contractual maturity)	347,556,994	86,126,495	282,960,552	671,784,977	727,281,905	2,115,710,923
Net liquidity	(181,596,940)	(101,699,898)	(205,901,033)	213,230,617	712,253,931	436,286,677

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.2 Cash flows of non-derivatives (Continued)

As at 31 December 2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(24,328,086)	(8,215,147)	(51,780,172)	-	-	(84,323,405)
Deposits from banks and other financial institutions	(15,493,068)	(12,264,764)	(84,976,196)	(13,341,146)	-	(126,075,174)
Placements from banks and other financial institutions	(7,499,489)	(5,335,069)	(29,533,800)	(2,161,588)	-	(44,529,946)
Financial assets sold under repurchase agreements	(37,231,275)	(3,265,900)	(14,335,540)	-	-	(54,832,715)
Deposits from customers	(400,309,470)	(54,354,393)	(193,864,695)	(277,421,847)	(7,041,145)	(932,991,550)
Debt securities issued	(9,936,386)	(54,828,344)	(124,677,447)	(17,469,842)	(14,605,400)	(221,517,419)
Other financial liabilities	(3,971,113)	(2,020)	(21,334)	(659,595)	(275,018)	(4,929,080)
Total liabilities (contractual maturity)	(498,768,887)	(138,265,637)	(499,189,184)	(311,054,018)	(21,921,563)	(1,469,199,289)
Assets						
Cash and balances with central bank	104,693,610	-	-	-	-	104,693,610
Deposits with banks and other financial institutions	10,510,548	80,049	130,078	-	-	10,720,675
Placements with banks and other financial institutions	763,649	6,125,408	14,112,571	-	-	21,001,628
Financial assets held under resale agreements	13,094,911	-	-	-	-	13,094,911
Loans and advances to customers	78,488,903	49,756,634	169,061,251	219,615,075	466,047,742	982,969,605
Financial investments						
- financial assets at fair value through profit or loss	85,466,135	2,943,334	12,102,530	19,885,787	5,743,023	126,140,809
- financial assets at fair value through other comprehensive income	6,303,278	12,854,293	16,000,310	91,893,481	33,250,527	160,301,889
- financial assets at amortised cost	11,997,692	13,426,880	43,782,133	191,018,196	138,317,239	398,542,140
Finance lease receivables	4,025,734	3,953,547	17,627,821	40,773,962	104,968	66,486,032
Other financial assets	673,954	110,640	359,582	353,800	50	1,498,026
Financial assets held for managing liquidity risk (contractual maturity)	316,018,414	89,250,785	273,176,276	563,540,301	643,463,549	1,885,449,325
Net liquidity	(182,750,473)	(49,014,852)	(226,012,908)	252,486,283	621,541,986	416,250,036

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.3 Cash flows of derivative financial instruments

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at 31 December 2021 and 31 December 2020 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(4,001,780)	(1,515,951)	(2,717,971)	(10,103)	–	(8,245,805)
– Inflow	4,002,611	1,515,517	2,714,910	9,701	–	8,242,739
Total	831	(434)	(3,061)	(402)	–	(3,066)

As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(554,952)	(276,083)	(1,257,513)	–	–	(2,088,548)
– Inflow	535,429	277,386	1,290,183	–	–	2,102,998
Total	(19,523)	1,303	32,670	–	–	14,450

Derivative financial instruments with net settlement

As at 31 December 2023	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	214	178	259	3,324	–	3,975

As at 31 December 2022	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	174	125	115	549	–	963

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity date.

As at 31 December 2023	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with central bank	27,477,409	40,335	-	-	-	-	-	71,094,019	98,611,763
Deposits with banks and other financial institutions	14,023,915	120,044	95,035	170,062	-	-	-	-	14,409,056
Placements with banks and other financial institutions	-	2,401,223	11,946,523	20,924,274	-	-	-	-	35,272,020
Derivative financial assets	-	1,286	1,631	11,188	86,096	-	-	-	100,201
Financial assets held under resale agreements	-	24,774,508	-	-	-	-	-	-	24,774,508
Loans and advances to customers	-	48,169,524	36,431,751	145,833,611	220,398,907	392,577,857	2,670,661	-	846,082,311
Financial investments									
- financial assets at fair value through profit or loss	127,171,150	1,790,875	3,385,919	13,846,205	18,019,157	4,418,451	6,539,142	1,088,968	176,259,867
- financial assets at fair value through other comprehensive income	-	5,931,670	16,731,104	15,294,699	102,809,458	28,294,186	-	304,689	169,365,806
- financial assets at amortised cost	-	1,243,026	3,948,774	30,488,788	142,323,573	163,759,171	-	-	341,763,332
Finance lease receivables	-	3,319,612	3,715,836	16,421,061	34,813,771	405,124	7,793	-	58,683,197
Other financial assets	-	588,769	85,737	47,517	378,968	7,761	49,794	-	1,158,546
Total assets	168,672,474	88,380,872	76,342,310	243,037,405	518,829,930	589,462,550	9,267,390	72,487,676	1,766,480,607
Borrowings from central bank	-	(40,434,046)	(11,940,370)	(85,711,921)	-	-	-	-	(138,086,337)
Deposits from banks and other financial institutions	(8,084,669)	(3,219,751)	(48,141,133)	(94,400,120)	(10,168,110)	-	-	-	(164,013,783)
Placements from banks and other financial institutions	-	(10,390,215)	(6,523,313)	(29,417,473)	(754,864)	-	-	-	(47,085,865)
Derivative financial liabilities	-	(3,307)	(1,570)	(13,490)	(82,300)	-	-	-	(100,667)
Financial assets sold under repurchase agreements	-	(41,640,136)	(2,852,009)	(22,358,819)	-	-	-	-	(66,850,964)
Deposits from customers	(365,211,363)	(53,788,419)	(72,501,738)	(174,156,618)	(376,656,929)	-	-	-	(1,042,315,067)
Debt securities issued	-	(2,605,499)	(44,780,424)	(74,832,352)	(45,304,417)	(14,138,365)	-	-	(181,661,057)
Other financial liabilities	-	(2,959,584)	(1,333)	(22,447)	(543,440)	(422,574)	-	-	(3,949,378)
Total liabilities	(373,296,032)	(155,040,957)	(186,741,890)	(480,913,240)	(433,510,060)	(14,560,939)	-	-	(1,644,063,118)
Net liquidity gap	(204,623,558)	(66,660,085)	(110,399,580)	(237,875,835)	85,319,870	574,901,611	9,267,390	72,487,676	122,417,489

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.4 Maturity analysis (Continued)

As at 31 December 2022	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with central bank	36,514,787	39,486	-	-	-	-	-	68,139,337	104,693,610
Deposits with banks and other financial institutions	10,459,533	50,015	80,024	130,040	-	-	-	-	10,719,612
Placements with banks and other financial institutions	-	705,377	6,026,594	13,963,415	-	-	-	-	20,695,386
Derivative financial assets	-	2,058	5,338	45,086	77,200	-	-	-	129,682
Financial assets held under resale agreements	-	12,658,904	-	-	-	-	-	-	12,658,904
Loans and advances to customers	-	73,090,000	42,918,403	163,219,822	137,965,284	315,156,793	2,448,073	-	734,798,375
Financial investments									
- financial assets at fair value through profit or loss	74,593,805	2,399,432	2,829,798	11,684,461	18,759,712	5,293,630	5,646,480	1,747,982	122,955,300
- financial assets at fair value through other comprehensive income	-	5,585,124	11,667,470	13,006,923	79,508,339	29,881,464	-	292,117	139,941,437
- financial assets at amortised cost	-	10,416,601	10,966,217	33,603,616	158,252,287	121,364,174	178,978	-	334,781,873
Finance lease receivables	-	2,833,915	3,414,285	14,854,661	36,606,317	98,171	109	-	57,807,458
Other financial assets	-	595,548	110,640	359,582	353,800	50	78,406	-	1,498,026
Total assets	121,568,125	108,376,460	78,018,769	250,867,606	431,522,939	471,794,282	8,352,046	70,179,436	1,540,679,663
Borrowings from central bank	(28)	(24,235,351)	(8,105,050)	(50,567,345)	-	-	-	-	(82,907,774)
Deposits from banks and other financial institutions	(6,172,532)	(9,311,420)	(12,208,711)	(83,843,974)	(12,074,602)	-	-	-	(123,611,239)
Placements from banks and other financial institutions	-	(7,491,671)	(5,296,000)	(29,075,022)	(2,000,000)	-	-	-	(43,862,693)
Derivative financial liabilities	-	(22,906)	(4,972)	(12,047)	(77,060)	-	-	-	(116,985)
Financial assets sold under repurchase agreements	-	(37,212,678)	(3,241,400)	(14,022,347)	-	-	-	-	(54,476,425)
Deposits from customers	(360,383,779)	(40,850,171)	(54,335,522)	(190,533,537)	(259,724,507)	(6,948,611)	-	-	(912,776,127)
Debt securities issued	-	(9,838,433)	(53,983,666)	(122,557,023)	(17,484,267)	(14,138,744)	-	-	(218,002,133)
Other financial liabilities	-	(3,971,113)	(2,020)	(21,334)	(659,595)	(275,018)	-	-	(4,929,080)
Total liabilities	(366,556,339)	(132,933,743)	(137,177,341)	(490,632,629)	(292,020,031)	(21,362,373)	-	-	(1,440,682,456)
Net liquidity gap	(244,988,214)	(24,557,283)	(59,158,572)	(239,765,023)	139,502,908	450,431,909	8,352,046	70,179,436	99,997,207

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.3 Liquidity risk (Continued)

52.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amounts of cash collaterals. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, and therefore, funds provided for guarantees and letters of credit are commonly lower than other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amounts for credit commitments do not represent the actual funds required.

As at 31 December 2023	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	74,698,817	–	–	74,698,817
Letters of credit	33,721,028	559,374	–	34,280,402
Letters of guarantee	15,757,257	18,119,500	300	33,877,057
Loan commitments	185,325	108,300	–	293,625
Unused credit card lines	3,413,177	40,544,065	16,384	43,973,626
Total	127,775,604	59,331,239	16,684	187,123,527

As at 31 December 2022	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	66,038,457	–	–	66,038,457
Letters of credit	24,247,898	–	–	24,247,898
Letters of guarantee	27,156,099	11,407,208	300	38,563,607
Loan commitments	705,532	70,000	–	775,532
Unused credit card lines	3,031,097	38,845,785	3,460	41,880,342
Total	121,179,083	50,322,993	3,760	171,505,836

52.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in the interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg and China Bond.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt investments with significant unobservable inputs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(b) *Financial instruments not measured at fair value*

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair value of all kinds of financial instruments is based on the following methods and assumptions:

(i) *Balances with central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities*

Since these financial instruments are short-term or under floating interest rates linked to market interest rate, their carrying value approximates to the fair value.

(ii) *Loans and advances to customers at amortised cost*

Since most loans and advances to customers are repriced at least annually according to market interest rates, their carrying value approximates to the fair value.

(iii) *Deposits from customers*

The fair value of a checking account, a savings account and a short-term money market deposit shall be the amount currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers approximates to the fair value.

(iv) *Finance lease receivables*

The balance of finance lease receivables is calculated based on the effective interest rate method. Since the actual interest rate of a financial leasing is timely adjusted to the interest rates that the PBOC stipulates, the carrying value approximates to the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(v) Financial assets and bonds issued at amortised cost

The table below summarizes the carrying amounts and the fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet date.

	As at 31 December 2023		As at 31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial investments – financial assets at amortised cost	341,763,332	347,368,990	334,781,873	338,812,983
Financial liabilities				
Debt securities issued	(181,661,057)	(180,470,515)	(218,002,133)	(215,982,460)

(i) Financial assets at amortised cost

Financial assets at amortised cost whose fair value is based on active market prices are included in level 1. As for financial assets at amortised cost, when such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics are used where applicable, the fair value measurement will be included in level 2 or level 3.

(ii) Debt securities in issued

If the fair value is based on active market prices, the fair value measurement will be included in level 1. When the fair value of debt securities issued is determined by valuation techniques and all significant inputs required to fair value are observable, it is included in level 2.

The other financial instruments not measured at fair value in the consolidated financial statements are calculated as the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets is not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

As at 31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	31,321,227	–	31,321,227
– Interbank certificates of deposit	–	3,052,790	–	3,052,790
– Asset management schemes by securities firms or trust companies	67,261,865	55,028,951	13,201,039	135,491,855
– Wealth management products	–	3,907,990	–	3,907,990
– Equity investment	262,179	–	–	262,179
Derivative financial assets	–	100,201	–	100,201
Financial assets at fair value through other comprehensive income				
– Debt securities	–	160,414,948	–	160,414,948
– Interbank deposits	–	5,895,829	–	5,895,829
– Equity securities	–	–	304,689	304,689
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	56,381,641	–	56,381,641
Total assets	67,524,044	316,103,577	13,505,728	397,133,349
Derivative financial liabilities	–	(100,667)	–	(100,667)
Total liabilities	–	(100,667)	–	(100,667)
As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	25,905,138	–	25,905,138
– Interbank certificates of deposit	–	196,078	–	196,078
– Asset management schemes by securities firms or trust companies	29,336,639	43,974,055	16,614,482	89,925,176
– Wealth management products	–	4,541,600	–	4,541,600
– Equity investment	993,250	–	–	993,250
Derivative financial assets	–	129,682	–	129,682
Financial assets at fair value through other comprehensive income				
– Debt securities	–	137,067,205	–	137,067,205
– Equity securities	–	–	292,117	292,117
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	43,509,833	–	43,509,833
Total assets	30,329,889	255,323,591	16,906,599	302,560,079
Derivative financial liabilities	–	(116,985)	–	(116,985)
Total liabilities	–	(116,985)	–	(116,985)

There were no significant transfers within the fair value hierarchy of the Group for the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

The table below presents the movement in 2023 for each category of financial instruments categorized as Level 3 of the fair value hierarchy:

	Financial Assets at fair value through profit or loss	Financial Assets at fair value through other comprehensive income	Total
1 January 2023	16,614,482	292,117	16,906,599
Total gain or loss:			
– Recognised in the profit or loss	(342,886)	–	(342,886)
– Recognised in other comprehensive income	–	12,572	12,572
Purchases	–	–	–
Settlement	(3,070,557)	–	(3,070,557)
31 December 2023	13,201,039	304,689	13,505,728
Unrealized gains on financial assets held at 31 December, 2023 Through Profit or Loss	(744,447)	–	(744,447)

The table below presents the movement in 2022 for each category of financial instruments categorized as Level 3 of the fair value hierarchy:

	Financial Assets at fair value through profit or loss	Financial Assets at fair value through other comprehensive income	Total
1 January 2022	19,123,580	225,367	19,348,947
Total gain or loss:			
– Recognised in the profit or loss	(396,176)	–	(396,176)
– Recognised in other comprehensive income	–	66,750	66,750
Purchases	823,517	–	823,517
Settlement	(2,936,439)	–	(2,936,439)
31 December 2022	16,614,482	292,117	16,906,599
Unrealized gains on financial assets held at 31 December, 2022 Through Profit or Loss	(789,197)	–	(789,197)

The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, the fair values will be estimated using the discounted cash flow or pricing models. For debt securities, the fair values are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

As at 31 December 2023, the carrying amounts of financial instruments valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with the Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management is also aimed to stimulate the expansion of capital scale and to improve risk management.

The Group prudently sets the objective of the capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, limit management for example, to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes the modification of the dividend distribution plan, raising new capital and issuance of new bonds.

Starting 1 January 2013, the Group implemented "The Trial Measures for Capital Management of Commercial Banks" which were promulgated by the former CBRC on 7 June 2012.

The table below summarizes the Capital Adequacy Ratios of the Group as at 31 December 2023:

		As at 31 December 2023	As at 31 December 2022
Common Equity Tier-one Capital Adequacy Ratio	(a)	9.14%	8.60%
Tier-one Capital Adequacy Ratio	(a)	10.82%	9.53%
Capital Adequacy Ratio	(a)	13.21%	12.02%
Common Equity Tier-one Capital	(b)	125,279,319	111,852,410
Common shares		13,889,801	13,889,801
Capital reserve		17,355,171	16,130,725
Surplus reserve and General reserve		37,532,592	33,002,142
Undistributed profits		54,206,156	46,585,163
Eligible portion of minority interests		2,295,599	2,244,579
Deductible Items from Common Equity Tier-one Capital	(c)	(14,946,839)	(16,529,307)
Net Common Equity Tier-one Capital		110,332,480	95,323,103
Additional Tier-one Capital	(d)	20,294,368	10,289,343
Net Tier-one Capital		130,626,848	105,612,446
Tier-two capital	(e)	28,802,129	27,540,773
Tier 2 capital instruments issued and related premium		14,000,000	14,000,000
Excess loan loss provisions		14,198,905	12,949,689
Eligible portion of non-controlling interests		603,224	591,084
Net capital		159,428,977	133,153,219
Risk-weighted Assets	(f)	1,207,079,238	1,107,824,126

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

52.5 Capital management (Continued)

Pursuant to the "Capital Rules for Commercial Banks (Provisional)":

- (a) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and, non-controlling interests, to the extent permitted in the Common Equity Tier-one Capital under the Regulation.
- (c) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.
- (d) The Group's Additional Tier-one Capital includes preference shares, perpetual bonds and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

52.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements either.

	As at 31 December 2023	As at 31 December 2022
Entrusted loans	34,914,555	35,487,178
Entrusted wealth management products	177,319,156	211,489,029

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

53 SUBSEQUENT EVENTS

53.1 Profit distributions

In accordance with the resolution of the 60th meeting of the fourth session of the Board of Directors held on 27 March 2024, the profit distribution plan of the Bank for the year ended 31 December 2023 (subject to approval by the shareholders' meeting) is as follows:

- (i) An appropriation of 10% of profit for the year 2023 amounting to RMB1,352,640 thousand to the statutory surplus reserve;
- (ii) An appropriation of 10% of profit for the year 2023 amounting to RMB1,352,640 thousand to the discretionary surplus reserve;
- (iii) An appropriation of RMB1,609,480 thousand to the general reserve; and
- (iv) Cash dividends of RMB1.46 per 10 shares (RMB2,027,911 thousand in total).

In addition to the above matters, the Group has no significant subsequent events.

Appendix I — Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

The attachments do not form one part of the audited financial statements

Appendix I — Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS

	As at 31 December 2023	As at 31 December 2022
RMB current assets to RMB current liabilities	83.44%	71.94%
Foreign currency current assets to foreign currency current liabilities	48.15%	98.43%

Liquidity ratio is calculated according to the relevant regulations published by the prior China Banking and Insurance Regulatory Commission.

2 CURRENCY CONCENTRATIONS

	USD	EUR	Other	Total
As at 31 December 2023				
Spot assets	2,609,196	89,318	374,827	3,073,341
Spot liabilities	(4,458,998)	(65,203)	(40,110)	(4,564,311)
Forward purchases	2,176,715	41,864	3,697,105	5,915,684
Forward sales	(2,209,121)	(44,381)	(58,429)	(2,311,931)
Net long/(short) position	(1,882,208)	21,598	3,973,393	2,112,783
As at 31 December 2022				
Spot assets	5,152,753	3,042,196	84,755	8,279,704
Spot liabilities	(8,499,285)	(60,371)	(45,375)	(8,605,031)
Forward purchases	246,304	42,472	–	288,776
Forward sales	(1,274,455)	(45,948)	(481,442)	(1,801,845)
Net long/(short) position	(4,374,683)	2,978,349	(442,062)	(1,838,396)

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland, and regards all the claims on third parties outside Chinese Mainland as cross border claims.

International claims include balances with central bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is 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.

Appendix I — Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

3 INTERNATIONAL CLAIMS (CONTINUED)

	Banks and other financial institutions	Non-bank private institutions	Total
As at 31 December 2023			
Asia Pacific excluding Chinese mainland	570,520	2,705,283	3,275,803
– Hong Kong	12,357	2,705,283	2,717,640
Europe	30,550	–	30,550
North and South America	455,495	–	455,495
Oceania	6,014	–	6,014
Total	1,062,579	2,705,283	3,767,862
As at 31 December 2022			
Asia Pacific excluding Chinese mainland	89,356	1,742,259	1,831,615
– Hong Kong	21,983	1,742,259	1,764,242
Europe	31,023	–	31,023
North and South America	522,162	–	522,162
Oceania	14,686	–	14,686
Total	657,227	1,742,259	2,399,486

4 LOANS AND ADVANCES TO CUSTOMERS

4.1 Overdue loans and advances to customers

Total amount of overdue loans and advances to customers:

	As at 31 December 2023	As at 31 December 2022
Total loans and advances to customers which have been overdue:		
Within 3 months	3,927,047	3,716,763
Within 3 to 6 months	1,622,436	1,193,123
Within 6 to 12 months	3,182,550	1,440,316
Over 12 months	1,920,782	6,851,439
Total	10,652,815	13,201,641
By percentage:		
Within 3 months	36.86%	28.15%
Within 3 to 6 months	15.23%	9.04%
Within 6 to 12 months	29.88%	10.91%
Over 12 months	18.03%	51.90%
Total	100.00%	100.00%

Appendix I — Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

4 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

4.1 Overdue loans and advances to customers (Continued)

Total amount of overdue loans and advances to customers and allowance assessment by geographic segment:

	Anhui Province	Jiangsu Province	Other	Total
As at 31 December 2023				
Overdue loans and advances to customers	8,230,937	1,401,686	1,020,192	10,652,815
Individually assessed	(6,021,818)	(1,289,110)	(683,971)	(7,994,899)
As at 31 December 2022				
Overdue loans and advances to customers	9,587,917	1,439,776	2,173,948	13,201,641
Individually assessed	(7,377,519)	(1,307,715)	(1,946,082)	(10,631,316)

Fair value of collateral against overdue loans and advances to customers:

	As at 31 December 2023	As at 31 December 2022
Fair value of collateral		
Corporate loans	6,814,980	9,112,492
Personal loans and advances	2,226,227	2,176,992
Total	9,041,207	11,289,484

4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Others	Total
As at 31 December 2023				
Identified impaired loans and advances				
for which allowance is:				
Individually assessed	7,745,199	1,770,710	1,505,889	11,021,798
	(6,466,945)	(1,669,892)	(1,173,807)	(9,310,644)
As at 31 December 2022				
Identified impaired loans and advances				
for which allowance is:				
Individually assessed	7,585,934	1,718,128	2,056,870	11,360,932
	(7,172,097)	(1,757,473)	(1,983,624)	(10,913,194)

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(All amounts expressed in thousands of RMB unless otherwise stated)

Huishang Bank Co., Ltd. makes a supplementary disclosure of the following information in accordance with CBIRC:

1. SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

In 2023, Huishang Bank Co., Ltd. has reviewed the proposals for significant related transactions according to the “Administrative Measures on Related Transactions of Banking and Insurance Institutions” with related parties defined in the document (hereinafter referred to as “CBIRC”), and the details are as follows:

Approved by the board of directors	Content	New credit limit (including low risk limit)	Remarks	
2023/2/10	The 50th Meeting of the 4th board of directors	Proposal on Consideration of Related Transactions between Huishang Bank and Anhui Publishing Group Co., Ltd. and its Related Enterprises.	4,000,000	
		Proposal on Consideration of Related Transactions between Huishang Bank and Anhui High Speed Investment Real Estate Development Co., Ltd.	1,800,000	
2023/3/30	The 51st Meeting of the 4th board of directors	Proposal on Consideration of Related Transactions between Huishang Bank and Anhui Province Energy Group Co., Ltd. and its Related Enterprises.	4,609,000	HuaiBei Guoan Electric Power Co., Ltd. has an indirect credit line of RMB50 million.
		Proposal on Consideration of Related Transactions between Huishang Bank and China Vanke Co., Ltd.	1,500,000	
		Proposal on Consideration of Related Transactions between Huishang Bank and Anhui Guoyuan Shareholdings (Group) Co., Ltd. and its Related Enterprises	4,360,000	
		Proposal on Consideration of Related Transactions between Huishang Bank and Chery Huiyin Motor Finance Service Co., Ltd.	4,000,000	
2023/5/15	The 52nd Meeting of the 4th board of directors	Proposal on Consideration of Related Transactions between Huishang Bank and Anhui Traffic Holding Group Co., Ltd.	17,974,112	
2023/6/29	The 54th Meeting of the 4th board of directors	Proposal on Consideration of Related Transactions between Huishang Bank and Huiying Financial Leasing Co., Ltd.	11,000,000	

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(All amounts expressed in thousands of RMB unless otherwise stated)

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS

As of the end of 2023, the significant related transactions between Huishang Bank Co., Ltd. and the related parties under the CBIRC's definition are as follows:

2.1 Transactions with a single related party accounting for more than 1% of the net capital in aggregate

(1) Huiyin Financial Leasing Co., Ltd

Related party	Transaction type	Amount	Remarks
Huishang Bank Financial Leasing Co., Ltd.	Interbank borrowing	1,500,000	There were 19 transactions of interbank borrowings, including one transaction over 1% of \$2.5 billion, which had matured at year-end.
	Interbank borrowing	2,500,000	

2.2 Transactions with a single related party accounting for more than 5% of the net capital in aggregate

(1) Hefei Xing Tai Financial Holding Group Co., Ltd. and its related companies

Related party	Transaction type	Amount	Remarks
Hefei Xing Tai Financial Holding Group Co., Ltd.	Floating capital loans	787,500	
	Charge underwriting fees	345	
	Investment in bonds	225,000	
	Quota for bond standby commitment	170,000	
Anhui Xingtai Financial Leasing Co., Ltd.	Floating capital loans	693,000	
	Domestic letter of credit	185,000	
	Investment in bonds	120,000	
Hefei Xingtai Asset Management Co., Ltd.	Floating capital loans	80,000	
Hefei Xingtai Commercial Factoring Co., Ltd.	Floating capital loans	100,000	
Anhui Xingtai Financing Guarantee Group Co., Ltd.	Kuai e-Loan Guarantee Fee	1	
	E-bidding guarantee	8,295	
	Time deposit	60,150	
Hefei Xingtai Technology Credit Guarantee Co., Ltd.	Repayment to the Bank by the Guarantee Company	6,470	
CCB Trust Co., Ltd.	Interest of reverse repurchase	32	
	Interest of interbank deposit	25,307	
	Collection of trustee fees for trust plans	157	
	Rent	2,245	

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(All amounts expressed in thousands of RMB unless otherwise stated)

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 Transactions with a single related party accounting for more than 5% of the net capital in aggregate (Continued)

(1) *Hefei Xing Tai Financial Holding Group Co., Ltd. and its related companies (Continued)*

Related party	Transaction type	Amount	Remarks
Huafu Fund Management Co., Ltd.	Interest of reverse repurchase	3,365	
	Interest of interbank deposit	1,789	
	Fund management fee	825	
	Cash bond trading	120,000	
	Fee and commission income	8	
	Collection of custodian fees for fund products	1,471	
CCB Principal Asset Management Co., Ltd.	Management fee of asset management plan	8,626	
	Interest of reverse repurchase	18,335	
	Interest of interbank deposit	142,909	
	Cash bond trading	993,000	
	Collection of custodian fees for the Fund's special account	4,086	
CCB Principal Capital Management Co., Ltd.	Interest of time deposit	86,597	
	Cash bond trading	300,000	
Hefei Guokong Construction Financing Guarantee Co., Ltd.	E-bidding guarantee	62,620	
	Separate letter of guarantee	500,508	
	Repayment to the Bank by the Guarantee Company	18,250	
	Time Deposit	90,385	
Hefei Urban Construction Development Co., Ltd.	Domestic forfaiting under letter of credit	1,077	
Anhui Amber Property Service Co., Ltd.	Property management fees	26	
	Electricity expense	147	
Anhui Public Resources Exchange Group Co., Ltd.	Time deposit	404,000	
	Bidding service charge	13	
	Bid deposits charge	490	
Anhui Public Resources Exchange Group Project Management Co., Ltd.	Bidding service charge	15	
	Bidding agency fees	4	
	Bid deposits charge	220	
Hefei Property Rights Trading Center	Bid deposits charge	18	
Suzhou Security Service Co., Ltd.	Security expense	2,890	
Chizhou Security Guard Service Co., Ltd.	Security expense	2,256	

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(All amounts expressed in thousands of RMB unless otherwise stated)

2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 Transactions with a single related party accounting for more than 5% of the net capital in aggregate (Continued)

(1) Hefei Xing Tai Financial Holding Group Co, Ltd. and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
Hefei Security Group Co., Ltd.	Security expense	19,939	
Ma'anshan MCC Hi Tech Construction Co., Ltd.	Fixed assets loan Conference fees	316,650 1	
Hefei Xingtai Commercial Assets Operation Co., Ltd.	Time deposit	23,351	
Changfeng County Sme Credit Guarantee Center	Time deposit	6,115	
Hefei Tongka Co., Ltd.	Time deposit Technical service fees	100,000 200	
Hefei Urban Construction Beicheng Real Estate Co., Ltd.	Real estate project loans	262,500	
	Collection of bankers' acceptances for payment	4,553,000	
	Rediscounted sell-offs operations	2,659,000	
	Rediscounted buyout operations	7,781,000	
	Investment of the Bank in asset management plans for which it is the actual financier	6,880,000	
	Interest of repurchase	112,294	
	Receive positive repurchase interest	47,397	
	Cash bond trading	4,620,000	
China Construction Bank Corporation	Interbank certificate of deposits	1,000,800	
	Interbank deposits	2,366	
	Discounted bankers' acceptances due for payment by the accepting bank	1,253,380	
	Foreign exchange forward trading	20,745	
	Foreign exchange spot trading	1,840,594	
	Payment of interest on foreign currency on call	4,812	
	Expenditure on commission for issuance of certificates	1,281	
Jianyin (Zhejiang) Real Estate Land Asset Appraisal Co., Ltd.	Appraisal fee	162	

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2. IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 Transactions with a single related party accounting for more than 5% of the net capital in aggregate (Continued)

(1) *Hefei Xing Tai Financial Holding Group Co, Ltd. and its related companies (Continued)*

Related party	Transaction type	Amount	Remarks
MCC Jianxin Investment Fund Management (Beijing) Co., Ltd.	Collection of private equity fund custody fees	171	
Hefei High Tech Public Resources Exchange Co., Ltd.	Time deposit	9,000	
Anhui Xingtai Information Technology Co., Ltd.	Cooperative service fee	150	
Hefei Industrial Technology Development Co., Ltd.	Investment in bonds	100,000	
Anhui Cultural Property Exchange Co., Ltd.	Tender production cost	1	
Hefei City Parking Investment Management Co., Ltd.	Promotion expenses	60	
Hefei Xingtai Equity Investment Management Co., Ltd.	Floating capital loans	50,000	

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3. RELATED PARTY TRANSACTIONS WITH RELATED NATURAL PERSONS

The identities of related natural persons of the Bank (in accordance with the “Administrative Measures on Related Transactions of Banking and Insurance Institutions”) mainly include: (1) Natural person controlling shareholders and actual controllers of banking and insurance institutions, and their concerted actions and ultimate beneficiaries; (2) Natural persons who hold or control more than 5% of the equity of a bank or insurance institution, or who hold less than 5% but have significant influence on the operation and management of a bank or insurance institution; (3) Directors, supervisors, senior management of the head office and important branches of banks and insurance institutions, as well as personnel with the authority to approve or make decisions on core business such as large credit facilities, asset transfers, and insurance fund utilization; (4) Spouse, parents, adult children and siblings of related parties listed in items (1) to (3) of this Article; (5) Directors, supervisors and senior management of the related parties listed in Article 7 (1) (2) of these Measures. The Bank’s natural person shareholders hold or control less than 5% of the equity, and the Bank has no major natural person shareholders.

By the end of 2023, the credit balance of related party transactions of related natural persons of the Bank was RMB133,447 thousand, mainly for personal housing, personal comprehensive consumption revolving loan and credit card overdraft; Other related transactions such as fixed-term deposits amounted to RMB340,430 thousand. All related transactions with related natural persons are general related transactions.



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