



吉林九台農村商業銀行股份有限公司*
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED*

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

Stock Code : 6122

2023

Annual Report

**Jilin Jiutai Rural Commercial 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.*



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Mr. Guo Ce
Chairman

Chairman's Statement

2023 was an extremely extraordinary year. In the face of the complex and ever-changing external environment and a series of challenges faced by the banking industry, the new leadership earnestly implemented the decisions and deployments of the CPC Central Committee and the State Council, strictly fulfilled the work requirements of regulatory authorities and superior departments, started a new round of strategic transformation, and maintained a stable and improving development trend.

Over the past year, the Bank has focused on organisation positioning and returned to its original intention. The Bank adhered to the fundamental principle of serving the real economy, organized a series of actions such as the “Seven Visits (七走進)” and “Spring Breeze Action (春風行動)”, implemented financial assistance to enterprises, assisted rural revitalization, and demonstrated its commitment in serving the revitalization of Jilin; the Bank focused on reform and innovation to stimulate management efficiency. The Bank released endogenous momentum through organisational changes, systematically reformed the internal organisational human resources system, performance appraisal system and internal control process system, and comprehensively constructed a three-dimensional, flat and intensive management model; the Bank focused on retail transformation and accumulated development momentum. The Bank reshaped the concept of retail transformation, iterated retail products, optimised channel construction, focused on technology empowerment, deepened the “three major battles” of retail and launched a series of innovative initiatives to assist consumption through finance, to actively contribute financial strength to stable economic growth; the Bank focused on structural adjustment and strived to improve quality and efficiency. Taking the path of improving internal control ability and strengthening budget management, the Bank comprehensively promoted the layout adjustment of assets, liabilities, customers and income, comprehensively reduced capital costs and operating costs, and strived to explore a new development path with better structure and better benefits; and the Bank focused on risk prevention and control, and solidified the security foundation. The Bank established and improved the comprehensive risk management system of “comprehensive businesses, full process and full coverage”, focusing on strengthening reforms in key areas such as credit management, credit review, risk monitoring and disposal of non-performing assets, and pragmatically performed the safety production to create a good safety environment for steady development; and the Bank focused on the guidance of Party building and strengthening the work style construction. The Bank has studied in-depth and implemented Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 20th National Congress of the Communist Party of China, fully exerted the political core role of the Party Committee in “overall management, direction guidance and implementation guarantee”, and continuously improved the overall level of Party building of the Bank.

The stars do not disappoint the hurried passersby, and the rivers care for the hardworking boats. Over the past year, the key work of transformation and development has made comprehensive progress, the key tasks of sound operation have been comprehensively improved, and the corporate culture of “striving, service, compliance and integrity” has been comprehensively promoted. This is a result of the support and guidance of the Party committees, governments, regulatory bodies and competent authorities at all levels, the trust and favor of our customers and investors, and the efforts and sweat of all employees. On behalf of the Board of Directors, I would like to express my deepest gratitude.

Although there are difficulties and obstacles, starting from today, we will conquer them from scratch. The year 2024 will be a critical year for the Bank’s strategic transformation to go deeper. Guided by Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, we will adhere to the principle of seeking progress while maintaining stability and promoting stability through progress, implement the strategy of a strong financial country, and do a good job in five major articles of “technology finance, green finance, inclusive finance, pension finance, digital finance”, so as to strive to write a new chapter of high-quality development!

Mr. Guo Ce
Chairman



Mr. Chen Xinzhe
President

President's Statement

In 2023, the Bank's management conscientiously implemented the decision-making arrangements of the Board of Directors, persisted in seeking progress while maintaining stability, strengthened responsibility and accountability, resolutely withstood pressures, made every effort to overcome difficulties, efficiently coordinated the joint efforts of all parties and maintained a good momentum of steady operation.

Service capacity has been continuously enhanced. Aiming at key fields such as green finance, "specialties and novelties", "100 billion catties of food" and "10 million of beef cattle" projects, the Bank continuously deepened the cultivation in regional markets, supported enterprises for alleviation of their difficulties with multiple measures, effectively assisted in rural revitalization, strived to improve the level of comprehensive financial services, and comprehensively practiced the responsibility as the main force of local finance; the pace of kinetic energy conversion has been accelerated. The Bank took the lead in launching retail reform in the rural credit system of the whole province, and proactively built a retail loan business development system by innovating the structure and carrying out the "three major battles". The Bank insisted on making efforts from both assets and liabilities, and focused on building a main business pattern with reasonable structure and equal emphasis on quality and efficiency; the internal control system has been constantly improved. The Bank strengthened the foundation of risk management, promoted the implementation of a comprehensive risk management system, built compliance culture and enhanced the level of internal control. The Bank comprehensively coordinated development and safety, and conducted stress tests and emergency drills in an orderly manner. Our safety guarantee capabilities have been enhanced, and resilience of stable operations has been furthered strengthened; the leadership of Party building has been comprehensively enhanced. The Bank fully played the core role in Party building, promoted the culture of "striving, service, compliance and integrity", and fully activated the role of political leadership and strengthening the foundation. The co-construction of bank + community and bank + village continued to deepen. The "Hundred Commissioners for Hundred Villages Voluntary Service Special Action Project" has been appraised by the Publicity Department of the Central Communist Party Committee as one of the "Four 100" advanced models for National Lei Feng Volunteer Service, and a sub-branch has been awarded the title of "Top 100 Demonstration Units" for civilized and standardized services of business outlets in China. Trade unions and group activities were diverse, and the role of cultural leadership was further developed.

Our achievements are attributable to the strong support from our shareholders, investors and all sectors of the community, the scientific decision-making of the Board of Directors and the effective supervision of the Board of Supervisors, as well as the hard work and dedication of our executives and employees. On behalf of the management, I would like to express my sincerest gratitude!

The year 2024 will be a year of consolidation for the Bank's further restructuring and quality enhancement. The management will firmly implement the decisions and deployments of the Board of Directors, adhere to the general tone of seeking progress while maintaining stability, and comprehensively promote the implementation of the series of projects of "adhering to the orientation, consolidating the foundation, adjusting the structure, improving quality and efficiency, controlling the risks, stabilising the growth, strengthening the management and building up the team", and fulfill its new role and commitment in serving the local economic and social development.

Mr. Chen Xinzhe
President

Chapter 1 Definitions and Glossary

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

“Anci District Huimin Village and Township Bank”	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 6 December 2011, in which the Bank holds a 51.00% equity interest. The remaining 56 shareholders hold 49.00% equity interest in Anci District Huimin Village and Township Bank
“Anping Huimin Village and Township Bank”	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 24 December 2013, in which the Bank holds a 28.17% equity interest. The remaining 97 shareholders hold 71.83% equity interest in Anping Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 24.63% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Articles of Association”	the articles of association of the Bank
“Baicheng Taobei Huimin Village and Township Bank”	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 23 November 2015, in which the Bank holds a 49.00% equity interest. The remaining 24 shareholders hold 51.00% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 14.00% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on 16 December 2008 with limited liability in accordance with the PRC laws, including its predecessors, but excluding its subsidiaries

Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“Former CBIRC”	the former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Former CBIRC Jilin Bureau”	the former China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 14 December 2011, in which the Bank holds a 38.80% equity interest. The other 16 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 24 September 2013, in which the Bank holds a 40.00% equity interest. The remaining 12 shareholders hold 60.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 20.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Changchun Nanguan Huimin Village and Township Bank”	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 11 January 2011, in which the Bank holds a 51.20% equity interest. The remaining 34 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank
“Da’an Huimin Village and Township Bank”	Da’an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 26 January 2011, in which the Bank holds a 51.46% equity interest. The remaining 13 shareholders hold 48.54% equity interest in Da’an Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Fuyu Huimin Village and Township Bank”	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 14 December 2015, in which the Bank holds a 42.85% equity interest. The remaining 46 shareholders hold 57.15% equity interest in Fuyu Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 13.41% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Gaomi Huimin Village and Township Bank”	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 25 May 2011, in which the Bank holds a 56.70% equity interest. The remaining 46 shareholders hold 43.30% equity interest in Gaomi Huimin Village and Township Bank
“Group”	the Bank and its consolidated subsidiaries
“Guangzhou Huangpu Huimin Village and Township Bank”	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 7 February 2014, in which the Bank holds a 51.00% equity interest. The remaining 7 shareholders hold 49.00% equity interest in Guangzhou Huangpu Huimin Village and Township Bank
“H Share(s)”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars
“Hanshan Huimin Village and Township Bank”	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 30 December 2010, in which the Bank holds a 78.51% equity interest. The remaining 45 shareholders hold 21.49% equity interest in Hanshan Huimin Village and Township Bank

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“Heyang Huimin Village and Township Bank”	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 16 December 2013, in which the Bank holds a 42.68% equity interest. The remaining 35 shareholders hold 57.32% equity interest in Heyang Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 14.02% equity interest in Heyang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Heyang Huimin Village and Township Bank. Heyang Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadian Huimin Village and Township Bank”	Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 29 October 2013, in which the Bank holds a 51.00% equity interest. The remaining 17 shareholders hold 49.00% equity interest in Huadian Huimin Village and Township Bank
“Huidong Huimin Village and Township Bank”	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 21 November 2014, in which the Bank holds a 35.00% equity interest. The remaining 11 shareholders hold 65.00% equity interest in Huidong Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 30.00% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary

Chapter 1 Definitions and Glossary

“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuanying Huimin Village and Township Bank”	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 21 January 2016, in which the Bank holds a 46.00% equity interest. The remaining 27 shareholders hold 54.00% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5.00% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Jilin Fengman Huimin Village and Township Bank”	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 16 December 2013, in which the Bank holds a 46.00% equity interest. The remaining 14 shareholders hold 54.00% equity interest in Jilin Fengman Huimin Village and Township Bank. The Bank and another shareholder (holding 4.50% equity interest in Jilin Fengman Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Fengman Huimin Village and Township Bank. Jilin Fengman Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Jilin Gongzhuling Rural Commercial Bank”	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 12 October 2015, in which the Bank holds a 20.20% equity interest. The remaining 531 shareholders hold 79.80% equity interest in Jilin Gongzhuling Rural Commercial Bank

Chapter 1 Definitions and Glossary

“Jilin Jiuyin Financial Leasing”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on 20 February 2017, in which the Bank holds a 60.00% equity interest. The remaining 4 shareholders hold 40.0% equity interest in Jilin Jiuyin Financial Leasing
“Jingmen Dongbao Huimin Village and Township Bank”	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 21 December 2011, in which the Bank holds a 31.19% equity interest. The remaining 52 shareholders hold 68.81% equity interest in Jingmen Dongbao Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 22.25% equity interest in Jingmen Dongbao Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jingmen Dongbao Huimin Village and Township Bank. Jingmen Dongbao Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Jiutai Longjia Village and Township Bank”	Jiutai Longjia Village Bank Co., Ltd. (九台龍嘉村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 12 October 2010, in which the Bank holds a 15.00% equity interest. The remaining 10 shareholders hold 85.00% equity interest in Jiutai Longjia Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 40.00% equity interest in Jiutai Longjia Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jiutai Longjia Village and Township Bank. Jiutai Longjia Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Latest Practicable Date”	18 April 2024, being the latest practicable date for ascertaining certain information in this annual report before its publication

Chapter 1 Definitions and Glossary

“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 25 March 2015, in which the Bank holds a 17.87% equity interest. The remaining 28 shareholders hold 82.13% equity interest in Leizhou Huimin Village and Township Bank. The Bank and 7 other shareholders (holding an aggregate of 33.82% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Co., Ltd. (遼源農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 15 November 2012, in which the Bank holds a 35.13% equity interest. The remaining 14 shareholders hold 64.87% equity interest in Liaoyuan Rural Commercial Bank
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on 16 May 2011, in which the Bank holds a 20.00% equity interest. The remaining 27 shareholders hold 80.00% equity interest in Lingshui Huimin Village and Township Bank. The Bank and 7 other shareholders (holding an aggregate of 32.60% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Listing Date”	12 January 2017, being the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange
“Lujiang Huimin Village and Township Bank”	Lujiang Huimin Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 28 December 2010, in which the Bank holds a 60.00% equity interest. The remaining 49 shareholders hold 40.00% equity interest in Lujiang Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“NPLs” or “non-performing loans”	non-performing loans, and for the purpose of this annual report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this annual report, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the People’s Republic of China on 15 February 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Qianan Huimin Village and Township Bank”	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 28 December 2010, in which the Bank holds a 45.25% equity interest. The remaining 23 shareholders hold 54.75% equity interest in Qianan Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 6.40% equity interest in Qianan Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Qianan Huimin Village and Township Bank. Qianan Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Qingdao Jimo Huimin Village and Township Bank”	Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司) (formerly known as Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on 14 October 2008, in which the Bank holds a 59.00% equity interest. The remaining 5 shareholders hold 41.00% equity interest in Qingdao Jimo Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Qingdao Pingdu Huimin Village and Township Bank”	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 23 December 2010, in which the Bank holds a 58.82% equity interest. The remaining 92 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank
“Qingyuan Qingxin Huimin Village and Township Bank”	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 23 January 2014, in which the Bank holds a 58.42% equity interest. The remaining 14 shareholders hold 41.58% equity interest in Qingyuan Qingxin Huimin Village and Township Bank
“Reporting Period”	from 1 January 2023 to 31 December 2023
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sanya Huimin Village and Township Bank”	Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司) (formerly known as Sanya Phoenix County Village and Township Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the People’s Republic of China on 16 May 2011, in which the Bank holds a 20.00% equity interest. The remaining 33 shareholders hold 80.00% equity interest in Sanya Huimin Village and Township Bank. The Bank and 14 other shareholders (holding an aggregate of 40.50% equity interest in Sanya Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Sanya Huimin Village and Township Bank. Sanya Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each

Chapter 1 Definitions and Glossary

“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 25 January 2010, in which the Bank holds a 62.26% equity interest. The remaining 28 shareholders hold 37.74% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 19 January 2011, in which the Bank holds a 40.80% equity interest. The remaining 110 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 10.07% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“Supervisor(s)”	the supervisor(s) of the Bank
“Taonan Huimin Village and Township Bank”	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 11 December 2015, in which the Bank holds a 40.83% equity interest. The remaining 16 shareholders hold 59.17% equity interest in Taonan Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 19.99% equity interest in Taonan Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank’s control and is the Group’s subsidiary
“three rurals”	a short term for the issues related to agriculture, rural areas and rural households

Chapter 1 Definitions and Glossary

“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 11 June 2014, in which the Bank holds a 47.00% equity interest. The remaining 82 shareholders hold 53.00% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 6.23% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank's control and is the Group's subsidiary
“Tongcheng Huimin Village and Township Bank”	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 19 September 2012, in which the Bank holds a 75.76% equity interest. The remaining 33 shareholders hold 24.24% equity interest in Tongcheng Huimin Village and Township Bank
“Wenan County Huimin Village and Township Bank”	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 23 December 2011, in which the Bank holds a 32.01% equity interest. The remaining 70 shareholders hold 67.99% equity interest in Wenan County Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 20.08% equity interest in Wenan County Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Wenan County Huimin Village and Township Bank. Wenan County Huimin Village and Township Bank is deemed to be under the Bank's control and is the Group's subsidiary
“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on 11 November 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Wuhua Huimin Village and Township Bank”

Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 13 January 2014, in which the Bank holds a 39.23% equity interest. The remaining 44 shareholders hold 60.77% equity interest in Wuhua Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 17.52% equity interest in Wuhua Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Wuhua Huimin Village and Township Bank. Wuhua Huimin Village and Township Bank is deemed to be under the Bank's control and is the Group's subsidiary

“Yun'an Huimin Village and Township Bank”

Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on 27 January 2014, in which the Bank holds a 61.00% equity interest. The remaining 5 shareholders hold 39.00% equity interest in Yun'an Huimin Village and Township Bank

In this annual report:

- 1. any discrepancies in any table between totals and sums of the amounts listed are due to rounding; and*
- 2. if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Chapter 2 Company Profile

I. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:

吉林九台農村商業銀行股份有限公司 (abbreviated as “九台農商銀行”)

Registered Name in English:

Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “Jiutai Rural Commercial Bank”)

Legal Representative:

Guo Ce (郭策)

Authorized Representatives:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

Board Secretary:

Yuan Chunyu (袁春雨)

Joint Company Secretaries:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

Registered Office Address of the Bank:

No. 504 Xinhua Main Street
Jiutai District, Changchun
Jilin Province, the PRC

Principal Office Address of the Bank:

No. 2559 Wei Shan Road
High-tech Zone, Changchun
Jilin Province, the PRC

Chapter 2 Company Profile

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

The Bank's Website:

www.jtnsh.com

Principal Place of Business in Hong Kong:

Room 15, 11th Floor, Tower 2, Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk
The Bank's website at www.jtnsh.com

Listing Place:

The Stock Exchange of Hong Kong Limited

Stock Short Name:

JIUTAI RCB

Stock Code:

06122



Chapter 2 Company Profile

H Share Registrar:

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

PRC Legal Adviser:

King & Wood Mallesons
17/F-18/F, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District, Beijing, the PRC

Hong Kong Legal Adviser:

Clifford Chance
27/F, Jardine House
One Connaught Place
Central, Hong Kong

Auditors of the Bank:

Domestic Auditor:

Da Hua Certified Public Accountants (Special General Partnership)
Room 1101, Building 7
Yard 16, Middle West Fourth Ring Road
Haidian District, Beijing

International Auditor:

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

II. HISTORY OF THE BANK

On 15 December 2008, upon the approval of the former CBRC Jilin Bureau, the Bank was promoted and established as a joint stock commercial bank named “Jilin Jiutai Rural Commercial Bank Corporation Limited” (吉林九台農村商業銀行股份有限公司) by qualified natural person shareholders of the former Jiutai Rural Credit Cooperative (九台市農村信用合作聯社), newly introduced natural person shareholders and legal person shareholders. On 16 December 2008, the Bank was formally incorporated.

The Bank’s current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the PRC. The Bank has established a place of business in Hong Kong at Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and registered as a non-Hong Kong company in Hong Kong on 17 February 2016 under Part XVI of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Bank appointed Mr. Lau Kwok Yin (劉國賢) as the Bank’s authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. As the Bank was established in the PRC, the Bank’s corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC.

The Bank’s H Shares were listed on the Main Board of the Hong Kong Stock Exchange on 12 January 2017.

The Bank 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 2 Company Profile

III. MAJOR AWARDS AND RECOGNITIONS IN 2023

The awards and recognitions received by the Group in 2023 mainly include:

Unit/Project	Awards/Recognitions	Organizer
Jiutai Rural Commercial Bank	Excellent Case of Banking Services for Rural Revitalization in 2022 (2022年度銀行業服務鄉村振興優秀案例)	“2022 Second Banking Excellent Banking Cases Collection” Activity by China.com (中國網「2022年度第二屆銀行業優秀案例徵集」活動)
Jiutai Rural Commercial Bank	2022 Inclusive Financial Services Bank (2022年度普惠金融服務銀行)	The “Golden Cicada Award” by China Times (《華夏時報》「金蟬獎」評選)
Jiutai Rural Commercial Bank	2022 Typical Case of Financial Services Specialised and New Small and Medium Size Enterprises (2022年金融服務專精特新中小企業典型案例)	Collection of “2022 Typical Cases of Financial Services Specialised and New Small and Medium Size Enterprises” by the China Banking Association (中國銀行業協會「2022年金融服務專精特新中小企業典型案例」徵集)
Jiutai Rural Commercial Bank	National Advanced Private Enterprise for Employment and Social Security (全國就業與社會保障先進民營企業)	Joint evaluation by the All-China Federation of Industry and Commerce, the Ministry of Human Resources and Social Security and the All-China Federation of Trade Unions
Jiutai Rural Commercial Bank Hundred Commissioners for Hundred Villages Voluntary Service Special Action Project	Best Volunteer Service Project (最佳志願服務項目)	“Advanced Typical Lei Feng Volunteer Service Model” by the Propaganda Department of Jilin Provincial Party Committee (吉林省委宣傳部「學雷鋒志願服務先進典型」評選)
Jiutai Rural Commercial Bank	Wind ESG Rating A (Wind ESG評級A級)	“2022 Wind ESG Rating List of Listed Banks in Mainland China” by Wind (萬得「2022年中國內地上市銀行Wind ESG評級榜單」)
Jiutai Rural Commercial Bank – Comprehensive Data Display Platform	Excellent Application Case of Data Management in Jilin Province in 2023 (2023吉林省數據管理優秀應用案例)	Jilin Digital Economy Development Promotion Association (吉林省數字經濟發展促進會)
Jiutai Rural Commercial Bank – Jilin Road Subbranch	Top 100 Demonstration Units of Civilized and Standardized Services of Banking Outlets (銀行業營業網點文明規範服務百佳示範單位)	China Banking Association (中國銀行業協會)
Jiutai Rural Commercial Bank	Top 1,000 World Banks in 2023 (2023年世界銀行1,000強)	The Banker, a U.K. magazine (英國《銀行家》雜誌)

Chapter 2 Company Profile

Unit/Project	Awards/Recognitions	Organizer
Jiutai Rural Commercial Bank	Tianji Award for Inclusive Financial Service in 2023 (2023年度普惠金融服務銀行天璣獎)	“2023 China Banking Tianji Award” by Securities Times (證券時報社「2023中國銀行業天璣獎」評選)
Jiutai Rural Commercial Bank Hundred Commissioners for Hundred Villages Voluntary Service Special Action Project	Best Volunteer Service Project (最佳志願服務項目)	“Four 100” Advanced Typical Publicity and Selection for National Lei Feng Volunteer Service in 2022 by the Publicity Department of the Central Communist Party Committee and the Civilization Office of the Central Communist Party Committee (中央宣傳部、中央文明辦2022年度全國學雷鋒志願服務「四個100」先進典型宣傳推選)
Jiutai Rural Commercial Bank – Online Comprehensive Financial Service Platform	2023 Rural Financial Technology Innovation Annual Case (2023農村金融科技創新年度案例)	“2023 Rural Financial Transformation and Innovation Case Collection Activity” by China Cooperation Times (中華合作時報社「2023農村金融轉型創新案例徵集活動」)
Jiutai Rural Commercial Bank	Best Financial Stock Company (最佳金融股公司)	The 8th Listed Company Selection by Zhitong Finance (智通財經第八屆上市公司評選)
Jiutai Rural Commercial Bank	2023 Best Service Bank in Jilin Province (2023年度吉林省最佳服務銀行)	“2023 Jilin Financial Institutions Selection” by City Evening News (《城市晚報》「2023年度吉林金融大典」評選)
Jiutai Rural Commercial Bank – Changchun Labor Union Member Service Card	The Most Favorite Bank Card in Jilin in 2023 (2023年度吉林省百姓最喜愛銀行卡)	“2023 Jilin Financial Institutions Selection” by City Evening News (《城市晚報》「2023年度吉林金融大典評選)
Jiutai Rural Commercial Bank	Outstanding Green Finance Award of the Year (年度卓越綠色金融獎)	“China Golden Cauldron Award” Selection by National Business Daily (每日經濟新聞「金鼎獎」評選)
Jiutai Rural Commercial Bank	Work Advanced Unit for Retired Soldiers in Jilin Province (吉林省退役軍人工作先進單位)	Jilin Provincial Committee of the Communist Party of China, the People’s Government of Jilin Province (中共吉林省委、吉林省人民政府)
Jiutai Rural Commercial Bank	2023 Inclusive Finance Award (2023普惠金融獎)	“2023 Golden Jubilee Award” Selection by China Investment Network (《投資時報》「2023年度金禧獎」評選)
Jiutai Rural Commercial Bank	2023 Outstanding Regional Bank (2023優秀區域服務銀行)	“2023 Golden Jubilee Award” Selection by China Investment Network (《投資時報》「2023年度金禧獎」評選)

Chapter 2 Company Profile

Unit/Project	Awards/Recognitions	Organizer
Anci District Huimin Village and Township Bank	Top 10 Government-Bank-Enterprise Cooperation Model Unit (十佳政銀企合作標兵單位)	The 27th National Local Financial Cooperation and Exchange Conference (全國地方金融二十七次合作交流大會)
Gaomi Huimin Village and Township Bank	Excellent Unit for Supporting Economic Development of Gaomi (支持高密經濟發展優秀單位)	Gaomi Municipal Committee of the Communist Party of China (中共高密市委) and Gaomi Municipal People's Government (高密市人民政府)
Hanshan Huimin Village and Township Bank	2022 Service Industry Contributing Enterprise (2022年度服務業貢獻企業)	Hanshan County Committee of the Communist Party of China (中共含山縣委) and Hanshan County People's Government (含山縣人民政府)

Chapter 3 Financial Highlights

Financial Data from 2019 to 2023

(Expressed in millions of RMB, unless otherwise stated)	2023	2022	2021	2020	2019
Operating results					
Interest income	13,674.5	14,382.7	12,524.3	10,371.1	8,722.5
Interest expenses	(8,146.1)	(7,867.8)	(6,347.9)	(5,272.6)	(4,557.1)
Net interest income	5,528.4	6,514.9	6,176.4	5,098.5	4,165.4
Fee and commission income	98.4	153.5	169.4	268.9	349.0
Fee and commission expenses	(78.8)	(71.8)	(96.7)	(38.3)	(32.5)
Net fee and commission income	19.6	81.7	72.7	230.6	316.5
Net gains arising from investment securities	154.9	98.6	87.3	46.4	21.1
Dividend income	7.8	21.4	57.0	59.4	64.7
Net trading gains/(losses)	(47.5)	95.1	1.0	149.8	609.8
Gains/(losses) on disposal of an associate	—	—	—	(37.1)	37.5
Losses on deemed partial disposal of subsidiaries/associates	—	—	(46.5)	—	—
Losses on deemed disposal of a subsidiary	—	(208.6)	—	—	—
Net exchange gains	3.5	8.0	11.3	10.2	5.7
Other operating income/(expenses), net	(152.4)	(14.0)	3.1	(11.0)	90.7
Operating income	5,514.3	6,597.1	6,362.3	5,546.8	5,311.4
Operating expenses	(3,338.9)	(3,266.2)	(3,073.9)	(2,743.7)	(2,787.4)
Impairment losses on assets, net of reversals	(2,109.8)	(1,360.9)	(1,569.4)	(1,306.6)	(1,088.1)
Operating profit	65.6	1,970.0	1,719.0	1,496.5	1,435.9
Share of profits of associates	0.8	13.5	28.5	44.6	67.6
Profit before tax	66.4	1,983.5	1,747.5	1,541.1	1,503.5
Income tax credit/(expense)	112.0	(311.5)	(457.5)	(341.4)	(307.8)
Profit for the year	178.4	1,672.0	1,290.0	1,199.7	1,195.7
Profit/(loss) for the year attributable to:					
— Owners of the Bank	168.3	1,683.3	1,129.4	1,104.5	1,042.2
— Non-controlling interests	10.1	(11.3)	160.6	95.2	153.5
Profit for the year	178.4	1,672.0	1,290.0	1,199.7	1,195.7

Chapter 3 Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	2023	2022	2021	2020	2019
Major indicators of assets/liabilities					
Total assets	269,775.0	267,000.7	234,140.2	200,363.3	173,275.5
Of which: loans and advances to customers	176,431.7	170,597.4	152,642.7	126,959.7	93,394.2
Total liabilities	250,910.5	248,381.4	216,365.2	184,112.1	157,615.4
Of which: deposits from customers	242,206.6	232,291.9	196,959.4	152,406.7	122,840.4
Total equity	18,864.5	18,619.3	17,775.0	16,251.2	15,660.1
Per share (RMB)					
Net assets per share	3.17	3.13	2.87 (Restated) ⁽¹⁴⁾	3.11	3.04
Basic earnings per share	0.03	0.33	0.22 (Restated) ⁽¹⁴⁾	0.25	0.24
Diluted earnings per share	0.03	0.33	0.22 (Restated) ⁽¹⁴⁾	0.25	0.24
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.07%	0.67%	0.59%	0.64%	0.71%
Return on capital ⁽²⁾	0.95%	9.19%	7.58%	7.52%	7.77%
Net interest spread ⁽³⁾	1.99%	2.44%	2.81%	2.58%	2.74%
Net interest margin ⁽⁴⁾	2.08%	2.56%	2.91%	2.75%	2.75%
Net fee and commission income to operating income ratio ⁽⁵⁾	0.36%	1.24%	1.14%	4.16%	5.96%
Cost-to-income ratio ⁽⁶⁾	58.78%	48.04%	46.90%	47.96%	51.08%
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	8.72%	8.91%	8.83%	9.05%	9.55%
Tier-one capital adequacy ratio ⁽⁸⁾	8.81%	9.01%	8.96%	9.15%	9.66%
Capital adequacy ratio ⁽⁹⁾	11.35%	11.50%	11.63%	11.37%	11.98%
Shareholders' equity to total assets ratio	6.99%	6.97%	7.59%	8.11%	9.04%
Assets quality indicators (%)					
Non-performing loan ratio ⁽¹⁰⁾	2.34%	1.98%	1.88%	1.63%	1.68%
Provision coverage ratio ⁽¹¹⁾	156.98%	157.39%	157.33%	164.82%	167.58%
Provision to total loan ratio ⁽¹²⁾	3.68%	3.12%	2.95%	2.69%	2.82%
Other indicators (%)⁽¹³⁾					
Loan to deposit ratio	75.26%	75.67%	81.22%	86.85%	78.23%

Chapter 3 Financial Highlights

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets*100%.
- (10) Non-performing loan ratio = total non-performing loans/total loans and advances to customers*100%.
- (11) Provision coverage ratio = total provision for impairment losses on loans and advances to customers/total non-performing loans*100%.
- (12) Provision to total loan ratio = total provision for impairment losses on loans and advances to customers/total loans and advances to customers*100%.
- (13) The relevant indicator refers to the ratio the Bank reports to the former China Banking and Insurance Regulatory Commission (the “**Former CBIRC**”, currently known as the National Financial Regulatory Administration) and calculated in accordance with PRC GAAP and relevant requirements of the Former CBIRC regarding financial data.
- (14) The weighted average number of ordinary shares in issue during the year ended 31 December 2021 has been adjusted retrospectively taking into account the capitalisation issue of 461,290,142 ordinary shares as if the capitalisation issue on 26 August 2022 had been completed on 1 January 2021.

Chapter 4 Management Discussion and Analysis

4.1 Environment and Outlook

In 2023, the momentum of world economic growth was insufficient, and demand in the international market recorded decline. China's economy and society fully resumed normalised operation. The service industry and consumption grew rapidly, and new industries and new energy field continued to grow rapidly, but the problems of insufficient effective demand and the operating difficulties of certain small and medium-sized enterprises are still relatively serious.

Looking ahead to 2024, strategic opportunities, risks and challenges will co-exist, but the basic trend of China's economic recovery and long-term improvement will remain unchanged. Driven by policies and the market, new industries, new modes and new energies are accelerating, and the internal momentum of development is accumulating. In particular, the Central Financial Work Conference has drawn up a blueprint for "accelerating the construction of a strong financial country", put forward "five major articles (五篇大文章)", and explicitly proposed to support the sustainable and healthy development of small and medium-sized banks. Regulators at all levels have launched a series of policy tools to support rural revitalization and serve small and medium-sized enterprises in the three rurals, providing a broad space for market expansion. Specifically in Jilin Province, the province is implementing the "one dome, six double-pillars (一主六雙)" high-quality development strategy, focusing on the construction of a new development pattern of "four major clusters (四大集群)", "six new industries (六新產業)" and "four new facilities (四新設施)". With the support of local governments and relevant departments, the local advantages of the agricultural and commercial bank will be further highlighted, the effectiveness of focusing on the main business and serving the entities will be further demonstrated, and the foundation for supporting high-quality development will be more solid.

The Bank will fully implement the spirit of the 20th National Congress of the Communist Party of China, conscientiously implement the national economic and financial policies, take high-quality development as the theme and serving the entity as the main responsibility, and comprehensively promote the implementation of the series of projects of "adhering to the orientation, consolidating the foundation, adjusting the structure, improving quality and efficiency, controlling the risks, stabilising the growth, strengthening the management and building up the team", so as to promote business operations to continue to improve, stabilise and achieve long-term success, as well as to create a new chapter of high-quality development at a new starting point.

Chapter 4 Management Discussion and Analysis

4.2 Development Strategies

The Group's strategic goal is to position itself as a professional financial services provider with unique values and strong competitiveness, and to build a modern agricultural and commercial bank with moderate scale, reasonable structure, excellent assets and sound governance. In order to realize its goal, the Group plans to: (i) adhere to serving the entities, continue to consolidate its strengths in the service for the "three rurals (三農)" and Micro, Small and Medium Enterprises (the "SMEs"), and resonate and co-exist with the development of local economy and society; (ii) accelerate the retail transformation, improve and upgrade the concepts, mechanisms, products, channels and technologies, and promote the transformation of the mode of growth; (iii) insist on improving quality and efficiency, optimize operating and business structures, and promote scientific and standardized operation management; (iv) insist on safety and soundness, integrate development and safety, improve internal control and compliance, and strengthen overall risk management; and (v) strengthen technology empowerment, optimize talent support, build corporate culture, and enhance customers' sense of gain and employees' sense of well-being.

4.3 Overall Business Review

The Group recorded a total operating income of RMB5,514.3 million in 2023, representing a decrease of 16.4% as compared to RMB6,597.1 million in 2022. The Group's net profit decreased by 89.3% from RMB1,672.0 million in 2022 to RMB178.4 million in 2023.

As of 31 December 2023, the Group's total assets amounted to RMB269,775.0 million, representing a year-on-year increase of 1.0%; net loans and advances to customers amounted to RMB176,431.7 million, representing a year-on-year increase of 3.4%; the non-performing loan ratio amounted to 2.34%, representing a year-on-year increase of 0.36 percentage points; gross deposits from customers amounted to RMB236,654.1 million, representing a year-on-year increase of 4.1%.

Chapter 4 Management Discussion and Analysis

(a) Analysis of the Consolidated Statement of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			
	2023	2022	Change in amount	Change in percentage (%)
Interest income	13,674.5	14,382.7	(708.2)	(4.9)
Interest expense	(8,146.1)	(7,867.8)	(278.3)	3.5
Net interest income	5,528.4	6,514.9	(986.5)	(15.1)
Fee and commission income	98.4	153.5	(55.1)	(35.9)
Fee and commission expenses	(78.8)	(71.8)	(7.0)	9.7
Net fee and commission income	19.6	81.7	(62.1)	(76.0)
Net gains arising from investment securities	154.9	98.6	56.3	57.1
Dividend income	7.8	21.4	(13.6)	(63.6)
Net trading gains/(losses)	(47.5)	95.1	(142.6)	(149.9)
Losses on deemed disposal of a subsidiary	—	(208.6)	208.6	(100.0)
Net exchange gains	3.5	8.0	(4.5)	(56.3)
Other operating income/(expenses), net	(152.4)	(14.0)	(138.4)	988.6
Operating income	5,514.3	6,597.1	(1,082.8)	(16.4)
Operating expenses	(3,338.9)	(3,266.2)	(72.7)	2.2
Impairment losses on assets, net of reversals	(2,109.8)	(1,360.9)	(748.9)	55.0
Operating profit	65.6	1,970.0	(1,904.4)	(96.7)
Share of profits of associates	0.8	13.5	(12.7)	(94.1)
Profit before tax	66.4	1,983.5	(1,917.1)	(96.7)
Income tax credit/(expense)	112.0	(311.5)	423.5	(136.0)
Profit for the year	178.4	1,672.0	(1,493.6)	(89.3)
Profit/(loss) for the year attributable to:				
— Owners of the Bank	168.3	1,683.3	(1,515.0)	(90.0)
— Non-controlling interests	10.1	(11.3)	21.4	(189.4)
Profit for the year	178.4	1,672.0	(1,493.6)	(89.3)

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In 2023, the Group's profit before tax was RMB66.4 million, representing a year-on-year decrease of 96.7%; profit for the year was RMB178.4 million, representing a year-on-year decrease of 89.3%. It was mainly due to the decrease in net interest income as a result of the Group's efforts to help stabilise growth, provide relief and benefits to enterprises, and reduce fees and make concessions to support entities, as well as the lower interest rates and other factors; and the increase in provision for asset impairment as a result of the post-pandemic operation recovery progress of enterprises and the transformation from old to new drivers of growth in regional economy and other factors.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 98.8% and 100.3% of operating income in 2022 and 2023, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			
	2023	2022	Change in amount	Change in percentage (%)
Interest income	13,674.5	14,382.7	(708.2)	(4.9)
Interest expense	(8,146.1)	(7,867.8)	(278.3)	3.5
Net interest income	5,528.4	6,514.9	(986.5)	(15.1)

The table below sets forth the average balance of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense and the average yield or average cost for the periods indicated. The average balance of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

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(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December 2023			Year ended 31 December 2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	178,801.9	11,580.2	6.48	176,272.2	12,402.7	7.04
Investment securities and other financial assets ⁽¹⁾	34,573.5	1,229.5	3.56	31,418.3	1,233.0	3.92
Financial assets held under resale agreements	12,695.9	283.4	2.23	14,408.3	278.2	1.93
Deposits with banks and other financial institutions	21,859.0	331.2	1.52	13,493.7	209.2	1.55
Deposits with the central bank ⁽²⁾	16,391.0	221.0	1.35	17,863.0	223.1	1.25
Placements with banks and other financial institutions	1,158.0	29.2	2.52	1,149.9	36.5	3.17
Total interest-earning assets	265,479.3	13,674.5	5.15	254,605.4	14,382.7	5.65

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(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December 2023			Year ended 31 December 2022		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	235,352.0	7,628.4	3.24	221,802.6	7,152.9	3.22
Financial assets sold under repurchase agreements	8,225.1	135.6	1.65	6,190.4	92.5	1.49
Deposits from banks and other financial institutions	2,196.5	13.6	0.62	5,852.9	217.2	3.71
Debt securities issued ⁽³⁾	4,135.1	183.8	4.44	5,827.0	277.6	4.76
Placements from banks and other financial institutions	5,574.9	119.2	2.14	1,514.5	37.5	2.48
Borrowings from the central bank	2,298.9	47.1	2.05	3,286.0	68.8	2.09
Lease liabilities	367.2	18.4	5.01	476.2	21.3	4.47
Total interest-bearing liabilities	258,149.7	8,146.1	3.16	244,949.6	7,867.8	3.21
Net interest income		5,528.4			6,514.9	
Net interest spread⁽⁴⁾			1.99			2.44
Net interest margin⁽⁵⁾			2.08			2.56

Notes:

- (1) Investment securities and other financial assets include the financial assets at fair value through other comprehensive income and financial assets at amortised cost.
- (2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (3) Primarily consist of tier-two capital bonds and interbank certificates.
- (4) Calculated based on the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

The table below sets forth the changes in the Group's interest income and interest expenses attributable to changes in volume and interest rate for the periods indicated. Changes in volume are measured by changes in the average balance, and changes in interest rate are measured by changes in the average interest rates. Changes caused by both volume and interest rate have been allocated to changes in volume.

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(Expressed in millions of RMB, unless otherwise stated)	2023 vs 2022		Net increase/ (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	163.8	(986.3)	(822.5)
Investment securities and other financial assets	112.2	(115.7)	(3.5)
Financial assets held under resale agreements	(38.2)	43.4	5.2
Deposits with banks and other financial institutions	126.7	(4.7)	122.0
Deposits with the central bank	(19.8)	17.7	(2.1)
Placements with banks and other financial institutions	0.2	(7.5)	(7.3)
Changes in interest income	344.9	(1,053.1)	(708.2)
Interest-bearing liabilities			
Deposits from customers	439.2	36.3	475.5
Financial assets sold under repurchase agreements	33.5	9.6	43.1
Deposits from banks and other financial institutions	(22.6)	(181.0)	(203.6)
Debt securities issued	(75.2)	(18.6)	(93.8)
Placements from banks and other financial institutions	86.8	(5.1)	81.7
Borrowings from the central bank	(20.2)	(1.5)	(21.7)
Lease liabilities	(5.5)	2.6	(2.9)
Changes in interest expenses	436.0	(157.7)	278.3
Changes in net interest income	(91.1)	(895.4)	(986.5)

Notes:

- (1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.
- (2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.
- (3) Represents interest income/expenses for the year minus interest income/expenses for the previous year.

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(ii) Interest income

The table below sets forth the principal components of interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
Loans and advances to customers	11,580.2	84.7	12,402.7	86.2
Investment securities and other financial assets	1,229.5	9.0	1,233.0	8.6
Financial assets held under resale agreements	283.4	2.1	278.2	1.9
Deposits with banks and other financial institutions	331.2	2.4	209.2	1.5
Deposits with the central bank	221.0	1.6	223.1	1.5
Placements with banks and other financial institutions	29.2	0.2	36.5	0.3
Total	13,674.5	100.0	14,382.7	100.0

The Group's interest income decreased by 4.9% from RMB14,382.7 million in 2022 to RMB13,674.5 million in 2023, which was primarily due to the decrease in the average yield on interest-earning assets from 5.65% in 2022 to 5.15% in 2023, which was partially offset by the increase in the average balance of interest-earning assets from RMB254,605.4 million in 2022 to RMB265,479.3 million in 2023. The decrease in the average yield on interest-earning assets was primarily due to the decrease in the average yields on loans and advances to customers, investment securities and other financial assets, placements with banks and other financial institutions and deposits with banks and other financial institutions, partially offset by the increase in the average yields on financial assets held under resale agreements and deposits with the central bank. The increase in the average balance of interest-earning assets was primarily due to the increase in the average balance of loans and advances to customers, investment securities and other financial assets, deposits with banks and other financial institutions and placements with banks and other financial institutions, partially offset by the decrease in the average balance of financial assets held under resale agreements and deposits with the central bank.

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(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 86.2% and 84.7% of the Group's total interest income in 2022 and 2023, respectively.

The table below sets forth the average balance, interest income and average yield on loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			2022		
	Average balance	2023 Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances						
– Loans	149,100.5	9,531.5	6.39	146,212.8	10,350.5	7.08
– Finance lease loans	2,679.7	153.9	5.74	3,032.9	179.4	5.92
Retail loans	26,986.3	1,894.1	7.02	26,971.4	1,871.3	6.94
Discounted bills	35.4	0.7	1.98	55.1	1.5	2.72
Total loans and advances to customers	178,801.9	11,580.2	6.48	176,272.2	12,402.7	7.04

As the largest component of the Group's interest income, the interest income from loans and advances to customers decreased by 6.63% from RMB12,402.7 million in 2022 to RMB11,580.2 million in 2023, which was mainly due to the decrease in average yield on loans and advances to customers from 7.04% in 2022 to 6.48% in 2023, which was partially offset by the increase in the average balance of such assets from RMB176,272.2 million in 2022 to RMB178,801.9 million in 2023. The decrease in the average yield on these assets was mainly due to the Group's reduction of fees and concessions to lower the cost of corporate finance, the year-on-year downward impact of the Loan Prime Rate (LPR), as well as operation difficulties and solvency decline in the short term of certain customers as a result of cyclical adjustments in the regional economy. The increase in the average balance of such assets was primarily due to the Group's adherence to its primary responsibility and main business, insistence on supporting agriculture and small enterprises, and the orderly increase in financial supply through measures such as serving rural revitalization, supporting industrial clusters, broadening regional markets, helping enterprises to alleviate and resolve difficulties, and promoting retail transformation.

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(B) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets decreased by 0.3% from RMB1,233.0 million in 2022 to RMB1,229.5 million in 2023. This was primarily due to the decrease in the average yield on investment securities and other financial assets from 3.92% in 2022 to 3.56% in 2023, which was partially offset by the increase in the average balance of such assets from RMB31,418.3 million in 2022 to RMB34,573.5 million in 2023. The increase in the average balance of such assets was primarily due to the reasonable increase in the size of the Group's government bond reserves in accordance with the needs of its business operations, which was partially offset by the decrease in the size of investments in asset management plans, trust plans and funds. The decrease in the average yield on such assets was primarily due to changes in the type and maturity structure of investment assets and changes in interest rates in the bond market.

(C) Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by 1.9% from RMB278.2 million in 2022 to RMB283.4 million in 2023. This was primarily due to the increase in the average yield on financial assets held under resale agreements from 1.93% in 2022 to 2.23% in 2023, which was partially offset by the decrease in the average balance of such assets from RMB14,408.3 million in 2022 to RMB12,695.9 million in 2023. The increase in the average yield on such assets was primarily due to the change in interest rates in the funding market. The decrease in the average balance of such assets was primarily due to the Group's timely reduction in the size of such assets in line with liquidity management needs.

(D) Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions increased by 58.3% from RMB209.2 million in 2022 to RMB331.2 million in 2023. This was primarily due to the increase in the average balance of deposits with banks and other financial institutions from RMB13,493.7 million in 2022 to RMB21,859.0 million in 2023, which was partially offset by the decrease in the average yield on such assets from 1.55% in 2022 to 1.52% in 2023. The increase in the average balance of such assets was primarily due to the increase in the size of the Group's deposits with banks based on liquidity management needs. The decrease in the average yield on such assets was primarily due to changes in the maturity structure of the asset portfolio.

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(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 0.9% from RMB223.1 million in 2022 to RMB221.0 million in 2023. This was primarily due to the decrease in the average balance of deposits with the central bank from RMB17,863.0 million in 2022 to RMB16,391.0 million in 2023, which was partially offset by the increase in the average yield on such assets from 1.25% in 2022 to 1.35% in 2023. The increase in the average yield on such assets was primarily due to changes in the structure of statutory deposit reserves and surplus deposit reserves. The decrease in the average balance of such assets was primarily due to the changes in the statutory deposit reserve ratio.

(iii) Interest expenses

The table below sets forth the principal components of the Group's interest expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
Deposits from customers	7,628.4	93.6	7,152.9	90.9
Financial assets sold under repurchase agreements	135.6	1.7	92.5	1.2
Deposits from banks and other financial institutions	13.6	0.2	217.2	2.8
Debt securities issued	183.8	2.2	277.6	3.5
Placements from banks and other financial institutions	119.2	1.5	37.5	0.5
Borrowings from the central bank	47.1	0.6	68.8	0.9
Lease liabilities	18.4	0.2	21.3	0.2
Total	8,146.1	100.0	7,867.8	100.0

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(A) Interest expenses on deposits from customers

The table below sets forth the average balance, interest expenses and average cost for the components of deposits from customers for the periods indicate.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			Average balance	2022 Interest expenses	Average cost (%)
	Average balance	2023 Interest expenses	Average cost (%)			
Corporate deposits						
Time	7,267.1	223.0	3.07	9,085.0	219.0	2.41
Demand	39,306.4	1,024.5	2.61	46,201.4	1,237.2	2.68
Subtotal	46,573.5	1,247.5	2.68	55,286.4	1,456.2	2.63
Retail deposits						
Time	173,103.6	6,188.5	3.58	150,388.5	5,473.4	3.64
Demand	15,674.9	192.4	1.23	16,127.7	223.3	1.38
Subtotal	188,778.5	6,380.9	3.38	166,516.2	5,696.7	3.42
Total deposits from customers	235,352.0	7,628.4	3.24	221,802.6	7,152.9	3.22

Interest expenses on deposits from customers increased by 6.6% from RMB7,152.9 million in 2022 to RMB7,628.4 million in 2023. This was primarily due to the increase in the average balance of deposits from customers from RMB221,802.6 million in 2022 to RMB235,352.0 million in 2023 and the increase in the average cost on such liabilities from 3.22% in 2022 to 3.24% in 2023. The increase in the average balance of such liabilities was primarily due to the Group's focus on serving key customer segments and key industries, precision marketing, and leveraging the advantages of resource integration and product portfolio, and its enhancement of customer acquisition capacity, which resulted in a steady growth in total deposits. The increase in the average cost on such liabilities was primarily due to the increase in the average cost on the Company's time deposits due to changes in the maturity structure, partially offset by the decrease in the average cost on the Company's demand deposits and retail deposits.

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(B) Interest expenses on financial assets sold under repurchase agreements

Interest expenses on financial assets sold under repurchase agreements increased by 46.6% from RMB92.5 million in 2022 to RMB135.6 million in 2023. This was primarily due to the increase in the average balance of financial assets sold under repurchase agreements from RMB6,190.4 million in 2022 to RMB8,225.1 million in 2023, and the increase in the average cost on such liabilities from 1.49% in 2022 to 1.65% in 2023. The increase in the average balance of such liabilities was primarily due to the Group's initiative to increase the size of such liabilities by rationalizing its liability structure based on operational needs. The increase in the average cost on such liabilities was primarily due to the changes in interest rates in the funding market.

(C) Interest expenses on deposits from banks and other financial institutions

Interest expenses on deposits from banks and other financial institutions decreased by 93.7% from RMB217.2 million in 2022 to RMB13.6 million in 2023. This was primarily due to the decrease in the average balance of such liabilities from RMB5,852.9 million in 2022 to RMB2,196.5 million in 2023, and the decrease in the average cost on such liabilities from 3.71% in 2022 to 0.62% in 2023. The decrease in the average balance of such liabilities was primarily due to the Group's initiative to reduce the size of such liabilities by adjusting its liability structure in a timely manner in accordance with changes in market interest rates. The decrease in the average cost on such liabilities was primarily due to the change in the maturity structure.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 33.8% from RMB277.6 million in 2022 to RMB183.8 million in 2023. This was primarily due to the decrease in the average balance of debt securities issued from RMB5,827.0 million in 2022 to RMB4,135.1 million in 2023 and the decrease in the average cost on such liabilities from 4.76% in 2022 to 4.44% in 2023. The decrease in the average balance of such liabilities was primarily due to the decrease in the issuance size of bonds and interbank certificates. The decrease in the average cost on such liabilities was primarily due to changes in the bond structure.

(iv) Net interest spread and net interest margin

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

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Net interest spread decreased by 0.45 percentage point from 2.44% in 2022 to 1.99% in 2023. Net interest margin decreased by 0.48 percentage points from 2.56% in 2022 to 2.08% in 2023. This was primarily due to the decrease of 0.50 percentage points in the average yield on interest-earning assets compared with the same period of the previous year, which was partially offset by the decrease of 0.05 percentage points in the average cost on interest-bearing liabilities compared with the same period of the previous year. The decrease in the average yield on interest-earning assets was primarily due to the Group's reduction of fees and concessions to lower the cost of corporate finance, the year-on-year downward impact of the Loan Prime Rate (LPR), and the decline in the repayment ability of some customers due to the cyclical adjustments in the regional economy, the decrease in the average yield on loans and advances to customers, and the decrease in the average yields on investment securities and other financial assets, placements with banks and other financial institutions and deposits with the banks and other financial institutions due to the impact of changes in the maturity structure of assets and changes in market interest rates, which was partially offset by the increase in the average yields on deposits with the central bank and financial assets held under resale agreements.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			
	2023	2022	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	22.2	31.2	(9.0)	(28.8)
Syndicated loan service fees	0.3	11.1	(10.8)	(97.3)
Settlement and clearing fees	30.8	52.4	(21.6)	(41.2)
Agency services fees	15.4	12.3	3.1	25.2
Wealth management service fees	22.4	38.2	(15.8)	(41.4)
Bank card service fees	1.5	3.5	(2.0)	(57.1)
Others ⁽¹⁾	5.8	4.8	1.0	20.8
Subtotal	98.4	153.5	(55.1)	(35.9)
Fee and commission expense	(78.8)	(71.8)	(7.0)	9.7
Net fee and commission income	19.6	81.7	(62.1)	(76.0)

Note:

- (1) Primarily consists of fee income from loan business, fee and commission of guarantees and commitments and income from safe deposit box business.

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Net fee and commission income decreased by 76.0% from RMB81.7 million in 2022 to RMB19.6 million in 2023. This was primarily due to the decrease in advisory fees income, syndicated loan service fees income, settlement and clearing fees income, wealth management service fees income and bank card service fees income, which was partially offset by the increase in agency service fees income and other fee income.

Advisory fees income decreased by 28.8% from RMB31.2 million in 2022 to RMB22.2 million in 2023, mainly due to the decrease in consultancy services provided by the Group to customers.

Syndicated loan service fees income decreased by 97.3% from RMB11.1 million in 2022 to RMB0.3 million in 2023, mainly due to the decrease in the volume of syndicated loan business.

Settlement and clearing fees income decreased by 41.2% from RMB52.4 million in 2022 to RMB30.8 million in 2023, mainly due to the decrease in the volume of settlement business.

Agency service fees income increased by 25.2% from RMB12.3 million in 2022 to RMB15.4 million in 2023, mainly due to the increase in the volume of agency service.

Wealth management service fees income decreased by 41.4% from RMB38.2 million in 2022 to RMB22.4 million in 2023, mainly due to the decrease in the scale of issuance of wealth management products.

Bank card service fees income decreased by 57.1% from RMB3.5 million in 2022 to RMB1.5 million in 2023, mainly due to the decrease in the amount of bank card transactions.

Fee and commission expenses mainly included fees paid to third parties. Fee and commission expenses increased by 9.7% from RMB71.8 million in 2022 to RMB78.8 million in 2023, mainly due to the increase in expenses on fees and commissions paid to third parties.

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(B) Net gains arising from investment securities

Net gains arising from investment securities included net gains from selling investment securities and other financial assets and revaluation gains resulting from the reclassification from other consolidated income to profits or losses upon the disposal of assets.

Net gains arising from investment securities increased by 57.1% from RMB98.6 million in 2022 to RMB154.9 million in 2023. This was mainly due to the Group's timely disposal of financial assets held by it based on its asset portfolio investment strategy and operational needs.

(C) Dividend income

Dividend income decreased by 63.6% from RMB21.4 million in 2022 to RMB7.8 million in 2023. This was mainly due to the decrease in dividend payment from holding companies.

(D) Net trading gains/(losses)

Net trading gains/(losses) decreased by 149.9% from RMB95.1 million in 2022 to RMB(47.5) million in 2023, mainly due to the decrease in interest income from trading financial assets as a result of changes in size and interest rates.

(E) Net exchange gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains decreased by 56.3% from RMB8.0 million in 2022 to RMB3.5 million in 2023, mainly due to the decrease in foreign exchange trading income and the impact of foreign exchange rate fluctuations.

(F) Other operating income/(expenses), net

Other operating income/(expenses), net mainly included government subsidies and other non-recurring income, net of non-recurring expenses such as charitable donation. Other operating income/(expenses), net decreased from RMB(14.0) million in 2022 to RMB(152.4) million in 2023, which was mainly due to the decrease in net gains on the disposal of property and equipment, as well as the increase in deposit insurance premium expense.

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(vi) Operating expenses

Operating expenses increased by 2.2% from RMB3,266.2 million in 2022 to RMB3,338.9 million in 2023. This was primarily due to increases in staff costs, general management and administrative expenses and taxes and surcharges, which was partially offset by decreases in property and equipment expenses.

The table below sets forth the principal components of operating expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			
	2023	2022	Change in amount	Change in percentage (%)
Staff cost	2,219.1	2,103.8	115.3	5.5
Property and equipment expenses	499.8	547.6	(47.8)	(8.7)
General management and administrative expenses	522.3	517.9	4.4	0.8
Tax and surcharges	97.7	96.9	0.8	0.8
Total	3,338.9	3,266.2	72.7	2.2

(A) Staff costs

The table below sets forth the components of staff costs for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			
	2023	2022	Change in amount	Change in percentage (%)
Salaries and bonuses	1,525.8	1,512.9	12.9	0.9
Social insurance	379.9	315.1	64.8	20.6
Staff welfares	114.4	120.8	(6.4)	(5.3)
Housing allowances	165.6	125.8	39.8	31.6
Labor union and staff education expenses	33.4	29.2	4.2	14.4
Total staff costs	2,219.1	2,103.8	115.3	5.5

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Staff costs increased by 5.5% from RMB2,103.8 million in 2022 to RMB2,219.1 million in 2023. The increase in staff costs was primarily due to the increase in salaries and bonuses and a corresponding increase in social insurance and housing provident fund.

(B) Property and equipment expenses

Property and equipment expenses decreased by 8.7% from RMB547.6 million in 2022 to RMB499.8 million in 2023. The decrease in property and equipment expenses was mainly due to the decrease in depreciation expenses of the Group's rental and right-of-use assets.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash and repair expenses. General management and administrative expenses increased by 0.8% from RMB517.9 million in 2022 to RMB522.3 million in 2023. The increase in general management and administrative expenses was primarily due to the fact that some outlets were not open for business in the same period last year due to the pandemic and a lower base for general management and administration expenses.

(D) Tax and surcharges

Tax and surcharges increased by 0.8% from RMB96.9 million in 2022 to RMB97.7 million in 2023. The increase in tax and surcharges were primarily due to the corresponding increase in taxes paid by the Group as a result of the increase in the size of the repossessed assets collected by the Group.

(vii) Impairment losses on assets, net of reversals

The table below sets forth the principal components of impairment losses on assets for the periods indicated.

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(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December			Change in percentage (%)
	2023	2022	Change in amount	
Loans and advances to customers	1,380.1	1,128.7	251.4	22.3
Debt securities financial assets at fair value through other comprehensive income	0.2	0.1	0.1	100.0
Financial assets measured at amortised cost	748.7	187.0	561.7	300.4
Deposits with banks and other financial institutions	(0.9)	(0.6)	(0.3)	50.0
Placements with banks and other financial institutions	0.1	0.2	(0.1)	(50.0)
Other receivables and repossessed assets	1.2	27.7	(26.5)	(95.7)
Provision for credit commitments and financial guarantees	(31.7)	13.6	(45.3)	(333.1)
Interest receivables (included in other assets)	12.1	4.2	7.9	188.1
Total	2,109.8	1,360.9	748.9	55.0

Impairment losses on assets, net of reversals increased by 55.0% from RMB1,360.9 million in 2022 to RMB2,109.8 million in 2023. The increase in impairment loss on assets, net of reversal was mainly due to the Group's enhancement of the refined risk management assessment in response to the changes in external market environment, and the increase in asset impairment losses on loans and advances to customers, financial assets at fair value through other comprehensive income, financial assets at amortised cost and interest receivable, which was partially offset by the decrease in impairment losses on deposits with banks and other financial institutions, placements with banks and other financial institutions, credit commitments and financial guarantees, other receivables and repossessed assets.

(viii) Income tax expense

Income tax expense decreased by 136.0% from RMB311.5 million in 2022 to RMB(112.0) million in 2023. The decrease in income tax expense was due to the decrease in operating profit.

Chapter 4 Management Discussion and Analysis

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of 31 December 2023 and 2022, the Group's total assets amounted to RMB269,775.0 million and RMB267,000.7 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; (iv) cash and deposits with the central bank; (v) financial assets held under resale agreements; and (vi) placements with banks and other financial institutions. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	178,111.4	66.0	172,029.4	64.4
Accrued interest on loans and advances to customers	4,874.8	1.8	3,927.5	1.5
Provision for impairment losses	(6,554.5)	(2.4)	(5,359.5)	(2.0)
Loans and advances to customers, net	176,431.7	65.4	170,597.4	63.9
Investment securities and other financial assets ⁽¹⁾	38,696.0	14.3	33,726.6	12.6
Deposits with banks and other financial institutions	12,144.9	4.5	11,092.3	4.1
Cash and deposits with the central bank	27,149.6	10.1	34,642.8	13.0
Financial assets held under resale agreements	7,543.6	2.8	9,570.5	3.6
Placements with banks and other financial institutions	372.9	0.1	425.2	0.2
Other assets ⁽²⁾	7,436.3	2.8	6,945.9	2.6
Total assets	269,775.0	100.0	267,000.7	100.0

Notes:

- (1) Include financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- (2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interest receivables, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.

Chapter 4 Management Discussion and Analysis

(A) Loans and advances to customers

As of 31 December 2023, the Group's total loans and advances to customers was RMB178,111.4 million, representing an increase of 3.5% as compared to 31 December 2022. Net loans and advances to customers accounted for 65.4% of the Group's total assets, representing an increase of 1.5 percentage points as compared to 31 December 2022.

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
– Loans	149,660.1	84.0	142,112.5	82.6
– Finance lease loans	2,701.5	1.5	2,932.1	1.7
Retail loans	25,749.8	14.5	26,984.8	15.7
Total loans and advances to customers	178,111.4	100.0	172,029.4	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 63.6% and 62.4% of total assets as of 31 December 2023 and 2022, respectively.

The Group's corporate loans increased by 5.0% from RMB145,044.6 million as of 31 December 2022 to RMB152,361.6 million as of 31 December 2023, primarily due to the fact that the Group closely followed the national policy direction, based on regional development, continuously broadened its service areas under the premise of effective risk prevention, increased its support for the real economy, satisfied the effective credit needs of the Company's loan customers and increased the scale of credit investment.

Chapter 4 Management Discussion and Analysis

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans decreased by 4.6% from RMB26,984.8 million as of 31 December 2022 to RMB25,749.8 million as of 31 December 2023, primarily due to the fact that, during the macroeconomic recovery, the valid credit demands for personal business loans decreased, which resulted in the decrease in scale of personal business loans.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 98.0% and 97.8% of total loans and advances to customers as of 31 December 2023 and 2022, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Collateralized loans	67,612.6	38.0	68,575.0	39.8
Pledged loans	12,566.1	7.1	16,286.6	9.5
Guaranteed loans	94,268.7	52.9	83,425.1	48.5
Unsecured loans	3,664.0	2.0	3,742.7	2.2
Total loans and advances to customers	178,111.4	100.0	172,029.4	100.0

Guaranteed loans are the largest component of total loans and advances to customers. Guaranteed loans as a percentage of total loans and advances to customers were 48.5% as of 31 December 2022 and 52.9% as of 31 December 2023, respectively. The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees.

The Bank and each subsidiary extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of 31 December 2022 and 2023, unsecured loans represented 2.2% and 2.0% of total loans and advances to customers, respectively.

Chapter 4 Management Discussion and Analysis

Movements of provision for impairment losses on loans and advances to customers

(Expressed in millions of RMB, unless otherwise stated)	2023	2022
At the beginning of the year	5,359.5	4,628.1
Charge for the year	1,380.1	1,128.7
Amounts written off as uncollectible	(198.4)	(130.7)
Recoveries of loans and advances previously written off	13.3	10.3
Changes due to consolidation	—	(276.9)
As of 31 December	6,554.5	5,359.5

Provision for impairment losses on loans increased by 22.3% from RMB5,359.5 million as of 31 December 2022 to RMB6,554.5 million as of 31 December 2023, mainly due to the fact that the Group has increased the provision for loan impairment in accordance with the changes in the size of loans and advances to customers and the level of potential risks.

(B) Investment securities and other financial assets

As of 31 December 2023 and 2022, the Group had investment securities and other financial assets of RMB38,696.0 million and RMB33,726.6 million, respectively, representing 14.3% and 12.6% of its total assets, respectively.

Chapter 4 Management Discussion and Analysis

Investment securities and other financial assets primarily include debt securities investments, asset management plans and trust plans, funds and equity investments.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	14,290.0	36.9	3,839.9	11.4
Financial assets at amortised cost	13,779.5	35.6	16,766.8	49.7
Subtotal	28,069.5	72.5	20,606.7	61.1
Asset management plans and trust plans				
Asset management plans	2,579.2	6.7	3,696.3	11.0
Trust plans	5,333.6	13.8	5,575.5	16.5
Subtotal	7,912.8	20.5	9,271.8	27.5
Funds	—	—	1,003.0	3.0
Subtotal	—	—	1,003.0	3.0
T+0 clearing and advances	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.0
Equity investments				
Financial assets at fair value through other comprehensive income	144.7	0.4	141.3	0.4
Financial assets at fair value through profit or loss	667.4	1.7	906.1	2.7
Subtotal	812.1	2.1	1,047.4	3.1
Accrued interest	1,901.6	4.9	1,797.7	5.3
Total investment securities and other financial assets, net	38,696.0	100.0	33,726.6	100.0

Chapter 4 Management Discussion and Analysis

Investment securities and other financial assets increased by 14.7% from RMB33,726.6 million as of 31 December 2022 to RMB38,696.0 million as of 31 December 2023. The increase in investment securities and other financial assets was primarily due to the Group's timely adjustment of its investment strategy and increase in bond investments in accordance with the liquidity adequacy situation and market changes, taking into account the actual operating conditions, which was partially offset by the decrease in asset management plans, trust plans and funds investments.

(ii) Liabilities

As of 31 December 2023 and 2022, total liabilities amounted to RMB250,910.5 million and RMB248,381.4 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) deposits from banks and other financial institutions; (iv) borrowings from the central bank; (v) placement from banks and other financial institutions, and (vi) financial assets sold under repurchase agreements. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Deposits from customers	242,206.6	96.5	232,291.9	93.5
Debt securities issued	3,375.2	1.4	5,351.2	2.2
Financial assets sold under repurchase agreements	220.1	0.1	50.0	0.0
Deposits from banks and other financial institutions	111.3	0.0	3,471.6	1.4
Borrowings from the central bank	535.5	0.2	3,679.8	1.5
Placements from banks and other financial institutions	3,064.5	1.2	2,052.8	0.8
Other liabilities ⁽¹⁾	1,397.3	0.6	1,484.1	0.6
Total liabilities	250,910.5	100.0	248,381.4	100.0

Note:

(1) Primarily consist of accrued staff costs, taxes payable, estimated liabilities and lease liabilities.

Chapter 4 Management Discussion and Analysis

(A) Deposits from customers

The Group provides demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	31,437.0	13.0	42,187.6	18.2
Time deposits	8,020.7	3.3	8,658.8	3.7
Subtotal	39,457.7	16.3	50,846.4	21.9
Retail deposits				
Demand deposits	16,001.9	6.6	15,817.8	6.8
Time deposits	178,048.5	73.5	157,255.3	67.7
Subtotal	194,050.4	80.1	173,073.1	74.5
Others⁽¹⁾	3,146.0	1.3	3,425.6	1.5
Gross deposits from customers	236,654.1	97.7	227,345.1	97.9
Accrued interest	5,552.5	2.3	4,946.8	2.1
Total deposits from customers	242,206.6	100.0	232,291.9	100.0

Note:

(1) Primarily consist of pledged deposits held as collateral and fiscal deposits.

Gross deposits from customers increased by 4.1% from RMB227,345.1 million as of 31 December 2022 to RMB236,654.1 million as of 31 December 2023. This was primarily due to the Group's focus on customer service, actively integrated into industrial chain finance and rural revitalization construction, accelerated the transformation and upgrading of business outlets and digital construction, provided comprehensive services for customers, and continuously enhanced customer acquisition capability which drove steady growth in deposits.

Chapter 4 Management Discussion and Analysis

(B) Debts securities issued

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear interest at the rate of 6.30% per annum.

In July 2021, the Bank issued 10-year tier-two capital bonds of RMB2,000.0 million at fixed rate of 4.80%.

From 1 January 2022 to 31 December 2022, the Bank issued five tranches of zero-coupon interbank certificates, with an aggregate face value of RMB2,500.0 million. The interbank certificates have a term of one year and bear interest at effective rates between 2.85% and 3.50%.

From 1 January 2023 to 31 December 2023, the Bank issued one tranche of zero-coupon interbank certificates, with an aggregate face value of RMB500.0 million. The interbank certificates have terms of one year and bear interest at effective rate of 2.85%.

(iii) Shareholders' equity

The table below sets forth the changes in shareholders' equity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Share capital	5,074.2	26.9	5,074.2	27.2
Capital reserve	4,256.8	22.6	4,256.8	22.9
Investment revaluation reserve	107.6	0.6	56.6	0.3
Surplus reserve	1,237.3	6.5	1,223.8	6.6
General reserve	2,747.2	14.6	2,636.7	14.1
Retained earnings	2,684.2	14.2	2,639.9	14.2
Non-controlling interests	2,757.2	14.6	2,731.3	14.7
Total equity	18,864.5	100.0	18,619.3	100.0

Chapter 4 Management Discussion and Analysis

(c) Assets Quality Analysis

(i) Breakdown of loans by the five-category classification

The non-performing loans of the Group are classified into substandard, doubtful and loss. As of 31 December 2023, the Group's non-performing loans amounted to RMB4,175.5 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Normal	163,372.4	91.7	163,090.3	94.8
Special mention	10,563.5	5.9	5,533.9	3.2
Substandard	1,311.8	0.7	246.2	0.1
Doubtful	2,224.6	1.3	3,080.8	1.9
Loss	639.1	0.4	78.2	0.0
Total loans and advances to customers	178,111.4	100.0	172,029.4	100.0
Non-performing loan and non-performing loan ratio⁽¹⁾	4,175.5	2.34	3,405.2	1.98

Note:

(1) Calculated by dividing non-performing loans by total loans and advances to customers.

The Group's non-performing loan ratio increased from 1.98% as of 31 December 2022 to 2.34% as of 31 December 2023. The increase was primarily due to the fact that in the post-pandemic period, the macro economy was in a recovery period, and the structural differentiation of the economy and industry was continuing, the recovery of production and operation of enterprises in the region has not met expectations, part of corporate loan customers had operating difficulties, insufficient cash flows, and their debt repayment ability has not recovered, and the ability of some personal loan customers to repay principal and interest has not recovered.

Chapter 4 Management Discussion and Analysis

(ii) Concentration of loans

(A) Concentration by industry and distribution of non-performing loans

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023				As of 31 December 2022			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total	Non- performing loan amount	Non- performing Loan ratio (%)
Corporate loans								
Wholesale and retail	32,971.0	18.5	754.8	2.29	31,291.3	18.2	402.7	1.29
Leasing and business services	24,820.4	13.9	275.6	1.11	25,772.5	15.0	246	0.95
Construction	18,676.7	10.5	195.9	1.05	16,332.8	9.5	137.5	0.84
Manufacturing	18,368.2	10.3	634.0	3.45	16,518.1	9.6	674	4.08
Agriculture, forestry, animal husbandry and fishery	14,520.9	8.2	312.2	2.15	12,658.0	7.4	253.2	2
Real estate	9,215.5	5.2	162.8	1.77	9,550.1	5.6	118.6	1.24
Scientific research, technical services and geological prospecting	7,885.1	4.4	28.9	0.37	6,098.4	3.5	25.3	0.41
Transportation, storage and postal services	7,577.2	4.3	65.2	0.86	8,499.2	4.9	63.5	0.75
Information transmission, computer services and software	4,598.1	2.6	44.8	0.97	4,077.6	2.4	44.3	1.09
Water, environment and public facility management	3,946.7	2.2	39.0	0.99	3,583.3	2.1	61.9	1.73
Accommodation and catering	3,098.8	1.7	40.8	1.32	3,016.9	1.7	19	0.63
Education	1,804.2	1.0	—	—	1,848.2	1.1	—	—
Electricity, gas and water production and supply	1,456.9	0.8	83.9	5.76	2,763.6	1.6	92.1	3.33
Health and social services	1,452.2	0.8	—	—	1,384.0	0.8	—	—
Resident and other services	930.0	0.5	69.4	7.46	720.6	0.4	56.7	7.87
Cultural, sports and entertainment	545.2	0.3	29.7	5.45	538.5	0.3	18.2	3.38
Mining	310.6	0.2	7.7	2.48	239.8	0.1	15.1	6.3
Public administration, social security and social organizations	151.0	0.1	—	—	151.0	0.1	—	—
Finance	32.9	0.0	—	—	0.7	0	—	—
Retail loans	25,749.8	14.5	1,430.8	5.56	26,984.8	15.7	1,177.1	4.36
Total	178,111.4	100.0	4,175.5	2.34	172,029.4	100.0	3,405.2	1.98

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

Chapter 4 Management Discussion and Analysis

Loans to borrowers in the wholesale and retail, leasing and business services, construction, manufacturing, and agriculture, forestry, animal husbandry and fishery industries represented the largest components of the Group's corporate loans portfolio. Loans to these industries accounted for 71.8% and 70.7% of total corporate loans as of 31 December 2023 and 2022, respectively.

As of 31 December 2023, non-performing loans of the Group's corporate loans were mainly concentrated in the wholesale and retail industry and the manufacturing industry, with non-performing loan ratios of 2.29% and 3.45%, respectively.

(B) Borrower concentration

Loans to the Top Ten Single Borrowers

The table below sets forth the balance of loans to the top ten single borrowers (excluding group borrowers) (on a consolidated or group basis) as of 31 December 2023. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of 31 December 2023	
Customer	Industry	Amount	% of total loans
Borrower A	Leasing and business services	1,099.7	0.62
Borrower B	Construction	1,076.4	0.60
Borrower C	Real estate	1,059.7	0.60
Borrower D	Accommodation and catering	1,000.0	0.56
Borrower E	Leasing and business services	995.1	0.56
Borrower F	Transportation, storage and postal services	964.9	0.54
Borrower G	Water, environment and public facility management	942.5	0.53
Borrower H	Leasing and business services	850.0	0.48
Borrower I	Leasing and business services	843.6	0.47
Borrower J	Manufacturing	841.5	0.47
Total		9,673.4	5.43

Chapter 4 Management Discussion and Analysis

(C) Distribution of non-performing loans by product

The table below sets forth the loans and non-performing loans by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023			As of 31 December 2022		
	Loan amount	Non- performing loan amount	Non- performing ratio (%)	Loan amount	Non- performing loan amount	Non- performing ratio (%)
Corporate loans						
Small and micro enterprises ⁽¹⁾	108,206.5	2,291.3	2.12	105,398.1	1,864.8	1.77
Medium enterprises ⁽¹⁾	27,669.5	390.6	1.41	26,431.8	288.5	1.09
Large enterprises ⁽¹⁾	14,044.4	55.0	0.39	13,172.0	74.8	0.57
Others ⁽²⁾	2,441.2	7.8	0.32	42.7	–	–
Subtotal	152,361.6	2,744.7	1.80	145,044.6	2,228.1	1.54
Retail loans						
Personal business loans	18,970.7	1,107.7	5.84	20,432.9	1,022.6	5.00
Personal consumption loans	3,204.0	286.9	8.95	3,114.8	125.2	4.02
Residential and commercial mortgage loans	3,560.0	35.3	0.99	3,419.5	28.3	0.83
Credit card overdrafts	15.1	0.9	5.96	17.6	1.0	5.68
Subtotal	25,749.8	1,430.8	5.56	26,984.8	1,177.1	4.36
Total loans	178,111.4	4,175.5	2.34	172,029.4	3,405.2	1.98

Notes:

(1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises.

(2) Mainly consist of public services institutions and social organizations.

Chapter 4 Management Discussion and Analysis

The non-performing loan ratio of corporate loans increased from 1.54% as of 31 December 2022 to 1.80% as of 31 December 2023, primarily due to the fact that in the post-pandemic period, the macro economy was in a recovery period, and the structural differentiation of the economy and industry was continuing, the recovery of production and operation of enterprises in the region has not met expectations, part of corporate loan customers have operating difficulties, insufficient cash flows, and their debt repayment ability has not recovered.

The non-performing loan ratio of retail loans increased from 4.36% as of 31 December 2022 to 5.56% as of 31 December 2023, which was mainly due to the fact that in the post-pandemic period, the macro economy was in a recovery period, and the structural differentiation of the economy and industry was continuing, and the ability of some personal loan customers to repay principal and interest has not recovered.

(D) Loan aging schedule

The table below sets forth the aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023		As of 31 December 2022	
	Amount	% of total	Amount	% of total
Loans not overdue	169,896.0	95.4	166,632.0	96.8
Loans past due for:				
1 to 90 days	2,404.6	1.3	1,852.6	1.1
91 days to 1 year	3,167.0	1.8	696.4	0.4
1 to 3 years	1,258.4	0.7	1,847.5	1.1
3 years or more	1,385.4	0.8	1,000.9	0.6
Subtotal	8,215.4	4.6	5,397.4	3.2
Total loans and advances to customers	178,111.4	100.0	172,029.4	100.0

Chapter 4 Management Discussion and Analysis

(d) Segment Information

(i) Summary of geographical segment information

In presenting information on the basis of geographical segments, operating income is allocated based on the places of registration of the respective banks that generate the income. The table below sets forth the operating income attributable to each of the geographical segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December 2023		Year ended 31 December 2022	
	Amount	% of total	Amount	% of total
Jilin Province	4,777.1	86.6	5,651.6	85.7
Other Regions ⁽¹⁾	737.2	13.4	945.5	14.3
Total operating income	5,514.3	100.0	6,597.1	100.0

Note:

- (1) Primarily include provinces and municipalities such as Heilongjiang, Guangdong, Hebei, Shandong, Anhui, Hubei, Hainan, Tianjin and Shaanxi.

Chapter 4 Management Discussion and Analysis

(ii) Summary of business segments

The Group operates three principal lines of business: corporate banking, retail banking and treasury operations. The table below sets forth the Group's operating income of each of its principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December 2023		Year ended 31 December 2022	
	Amount	% of total	Amount	% of total
Corporate banking	3,561.4	64.6	4,488.3	68.0
Retail banking	2,872.1	52.1	3,313.8	50.2
Treasury operations	(778.2)	(14.1)	(1,011.8)	(15.3)
Others ⁽¹⁾	(141.0)	(2.6)	(193.2)	(2.9)
Total	5,514.3	100.0	6,597.1	100.0

Note:

- (1) Primarily represent assets, liabilities, income and expenses which cannot be directly and reasonably attributable or cannot be allocated to a segment.

Chapter 4 Management Discussion and Analysis

(e) Off-balance Sheet Commitments

Off-balance sheet commitments primarily consist of bank acceptances, letters of credit, letters of guarantee, unused credit card limit and capital commitments. The table below sets forth the contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023	As of 31 December 2022
Credit commitments:		
Bank acceptances ⁽¹⁾	1,716.6	2,410.5
Letters of credit ⁽²⁾	2.0	3.7
Letters of guarantee ⁽²⁾	2,911.4	4,411.5
Unused limits of credit cards	163.8	162.1
Subtotal	4,793.8	6,987.8
Capital commitments	-	7.2
Total	4,793.8	6,995.0

Notes:

(1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.

(2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments decreased by 31.5% from RMB6,995.0 million as of 31 December 2022 to RMB4,793.8 million as of 31 December 2023. The decrease in off-balance sheet commitments was mainly due to the Group's moderate reduction in off-balance sheet business based on operational needs.

Chapter 4 Management Discussion and Analysis

4.4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of 31 December 2023, the Group had 4,641 corporate borrowers with loans and advances to customers totaling RMB152,361.6 million. In 2023 and 2022, operating income from the Group's corporate banking business was RMB3,561.4 million and RMB4,488.3 million, respectively, accounting for 64.6% and 68.0% of total operating income, respectively.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December		Change in percentage (%)
	2023	2022	
External interest income, net ⁽¹⁾	8,423.4	9,020.4	(6.6)
Inter-segment interest expenses, net ⁽²⁾	(4,853.4)	(4,565.6)	6.3
Net interest income	3,570.0	4,454.8	(19.9)
Net fee and commission income	(8.6)	33.5	(125.7)
Operating income	3,561.4	4,488.3	(20.7)
Operating expenses	(1,717.3)	(1,697.1)	1.2
Impairment losses on assets, net of reversals	(987.8)	(808.5)	22.2
Profit before tax	856.3	1,982.7	(56.8)

Notes:

- (1) Refers to net income and expenses from third parties.
- (2) Refers to inter-segment expenses and transfer pricing.

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(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of 31 December 2023 and 2022, the Group's corporate loans totaled RMB152,361.6 million and RMB145,044.6 million, respectively, accounting for 85.5% and 84.3% of the Group's gross loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may rediscount these bills to the People's Bank of China (the "PBOC") or other financial institutions. As of 31 December 2023, the Group had a balance of RMBnil in discounted bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of 31 December 2023 and 2022, the Group's corporate deposits totaled RMB39,457.7 million and RMB50,846.4 million, respectively, accounting for 16.7% and 22.4% of gross deposits from customers, respectively.

(iv) Fee- and commission-based products and services

The Group offers corporate customers a wide range of fee- and commission-based products and services, primarily including consulting and financial advisory services, syndicated loans services, settlement and clearing services, entrusted loans, agency services and wealth management services.

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(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. In 2023 and 2022, the Group's income from consulting and financial advisory services was RMB22.2 million and RMB31.2 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their relatively large financing needs. In 2023 and 2022, the Group earned service fees for syndicated loans of RMB0.3 million and RMB11.1 million, respectively.

(C) Settlement and clearing services

The Group offers settlement services, including settlement of cash transfers, drafts, cheques and other negotiable instruments, to corporate customers.

(D) Entrusted loans

The Group provides entrusted loans to borrowers designated by corporate customers in accordance with the uses of proceeds, principal amounts and interest rates determined by corporate customers. The Group also supervises borrowers' uses of loans and assists in collection of loans. The Group charges agency fees based on the principal amount of entrusted loans. The Group's corporate customers bear the risks of default under loans.

(E) Agency services

The Group provides fee collection services for corporate customers (including enterprises and public services institutions). The Group believes this enables it to maintain close relationships with customers and enhance brand recognition.

(F) Wealth management services

The Bank offers corporate customers a variety of wealth management products based on their diversified risk and return and risk appetites, including non-net worth wealth management products and net worth wealth management products. The wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products.

Chapter 4 Management Discussion and Analysis

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of 31 December 2023, the Group had 67,138 retail borrowers with gross loans and advances to customers of RMB25,749.8 million. In 2023 and 2022, the operating income from the Group's retail banking business amounted to RMB2,872.1 million and RMB3,313.8 million, respectively, accounting for 52.1% and 50.2% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking business for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December		Change in percentage (%)
	2023	2022	
External interest expenses, net ⁽¹⁾	(4,490.8)	(3,792.8)	18.4
Inter-segment interest income, net	7,357.1	7,096.6	3.7
Net interest income	2,866.3	3,303.8	(13.2)
Net fee and commission income	5.8	10.0	(42.0)
Operating income	2,872.1	3,313.8	(13.3)
Operating expenses	(1,476.4)	(1,485.1)	(0.6)
Impairment losses on assets, net of reversals	(360.6)	(333.8)	8.0
Profit before tax	1,035.1	1,494.9	(30.8)

Note:

(1) Refers to net income and expenses from third parties.

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of 31 December 2023 and 2022, the Group's retail loans totaled RMB25,749.8 million and RMB26,984.8 million, accounting for 14.5% and 15.7% of total loans and advances to customers, respectively.

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(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of 31 December 2023 and 2022, the Group's retail deposits totaled RMB194,050.4 million and RMB173,073.1 million, accounting for 82.0% and 76.1% of gross deposits from customers, respectively.

(iii) Bank cards services

The Group issues Renminbi debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (長春市總工會) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group cooperates with well-known domestic third-party payment companies for Internet payment to enhance cardholder experience. As of 31 December 2023, the Group had issued approximately 4.95 million debit cards.

(iv) Fee- and commission-based products and services

The Group offers retail customers a wide range of fee- and commission-based products and services, primarily including wealth management services, private banking services and transfer and remittances.

(A) *Wealth management services*

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including net worth wealth management products and non-net worth wealth management products. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2023 and 2022, the Bank's sales of wealth management products to retail customers totaled RMB6,035.0 million and RMB9,839.9 million, respectively.

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(B) Other fee- and commission-based products and services

The Group provides retail customers with other fee- and commission-based products and services, including transfer and remittances, collection and bank drafts.

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the Group placed an emphasis on optimization of the assets and liabilities structure and improvement in the yield of our treasury operations. The Bank capitalized on investment opportunities through timely adjustment of its investment strategies and compliant and prudent development of the treasury business. In 2023 and 2022, operating income from the Group's treasury operations was RMB(778.2) million and RMB(1,011.8) million, accounting for (14.1)% and (15.3)% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended 31 December		Change in percentage (%)
	2023	2022	
External interest income, net ⁽¹⁾	1,595.8	1,287.3	24.0
Inter-segment interest expenses, net ⁽²⁾	(2,503.7)	(2,531.0)	(1.1)
Net interest income	(907.9)	(1,243.7)	(27.0)
Net fee and commission income	22.4	38.2	(41.4)
Net income from other businesses ⁽³⁾	107.3	193.7	(44.6)
Operating income	(778.2)	(1,011.8)	(23.1)
Operating expenses	(116.1)	(45.3)	156.3
Impairment losses on assets, net of reversals	(748.1)	(186.7)	300.7
Profit before tax	(1,642.4)	(1,243.8)	32.0

Notes:

(1) Refers to net income from third parties.

(2) Refers to inter-segment expenses and transfer pricing.

(3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

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(i) Money market transactions

Money market transactions play a significant role in liquidity management. The Group also earns interest income from money market transactions. Money market transactions mainly include (i) interbank deposits with other domestic banks and non-banking financial institutions; (ii) interbank placements; and (iii) interbank repurchase and reverse repurchase transactions.

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to regulate its asset and liability structure. As of 31 December 2023 and 2022, the Group's deposits from banks and other financial institutions totaled RMB111.3 million and RMB3,471.6 million, and deposits in banks and other financial institutions totaled RMB12,144.9 million and RMB11,092.3 million, respectively.

(B) Interbank placements

As of 31 December 2023 and 2022, the Group's placements with banks and other financial institutions totaled RMB372.9 million and RMB425.2 million, and the Group's placements from banks and other financial institutions totaled RMB3,064.5 million and RMB2,052.8 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated government bonds and policy financial bonds. As of 31 December 2023 and 2022, the Group's financial assets held under resale agreements totaled RMB7,543.6 million and RMB9,570.5 million, and financial assets sold under repurchase agreements totaled RMB220.1 million and RMB50.0 million, respectively.

(ii) Investments in securities and other financial assets

The Group's investment portfolio consists primarily of bonds and debt instruments issued by other financial institutions.

While reducing buy-back financing cost by taking various measures, the Group selectively allocated some bond assets with relatively suitable maturity and yield to improve returns on assets.

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(A) Securities investment by business model and characteristics of cash flow of assets of the Group

(Expressed in millions of RMB, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	667.4	1.7	1,909.1	5.7
Financial assets at fair value through other comprehensive income	14,572.1	37.7	4,019.8	11.9
Financial assets at amortised cost	23,456.5	60.6	27,797.7	82.4
Total investment securities and other financial assets	38,696.0	100.0	33,726.6	100.0

Total investment securities and other financial assets increased by 14.7% from RMB33,726.6 million as of 31 December 2022 to RMB38,696.0 million as of 31 December 2023.

(B) Maturity profile of the Group's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Immediately due	7,212.0	18.6	6,160.8	18.3
Due in 3 months	2,148.8	5.6	2,090.6	6.2
Due between 3 and 12 months	6,503.2	16.8	7,214.7	21.4
Due between 1 and 5 years	13,680.9	35.4	8,480.4	25.1
Due over 5 years	8,339.0	21.5	8,732.7	25.9
Undefined	812.1	2.1	1,047.4	3.1
Total	38,696.0	100.0	33,726.6	100.0

The Group's securities investment with a remaining maturity of 1 year to 5 years accounted for the largest portion.

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(C) Holding of government bonds

As of 31 December 2023, the balance of face value of the government bonds held by the Group amounted to RMB24,570.8 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of 31 December 2023.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
23 Interest-bearing treasury bond 17	1,910.0	2.18	15 August 2026
23 Discounted treasury bond 64	1,600.0	2.34	22 April 2024
23 Interest-bearing treasury bond 13	1,580.0	2.00	15 June 2025
22 Interest-bearing treasury bond 20	1,450.0	1.99	15 September 2024
21 Interest-bearing treasury bond 09	1,130.0	3.02	27 May 2031
23 Interest-bearing treasury bond 20	1,120.0	2.22	25 September 2025
23 Interest-bearing treasury bond 10	960.0	2.05	25 April 2024
23 Interest-bearing treasury bond 21	830.0	2.48	25 September 2028
23 Interest-bearing treasury bond 11	760.0	2.30	15 May 2026
23 Interest-bearing treasury bond 01	750.0	2.01	15 January 2024
Total	12,090.0		

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(D) Holding of financial bonds

As of 31 December 2023, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB2,671.0 million. The table below sets out the top 10 financial bonds with the highest face value held by the Group as of 31 December 2023.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
21 Guo Kai 03	550.0	3.30	3 March 2026
19 Guo Kai 05	370.0	3.48	8 January 2029
22 Guo Kai 15	370.0	2.96	18 July 2032
23 Guo Kai 10	250.0	2.82	22 May 2033
21 Guo Kai 07	200.0	3.00	17 June 2024
21 Guo Kai 20	150.0	3.49	8 November 2041
14 Guo Kai 11	130.0	5.67	8 April 2024
14 Nong Fa 23	100.0	5.48	21 March 2024
16 Nong Fa 05	100.0	3.33	6 January 2026
22 Guo Kai 10	100.0	2.98	22 April 2032
Total	2,320.0		

(iii) Treasury operations conducted on behalf of customers

In the Group's treasury operations conducted on behalf of customers, the Group manages funds received from the issuance of wealth management products to corporate and retail customers. In 2023 and 2022, the Group sold wealth management products totaling RMB6,035.0 million and RMB10,229.9 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of 31 December 2023, the Group had 353 outlets, of which 165 outlets were operated by the Bank, and the rest by the Group's subsidiaries under their own names.

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The Group has made solid progress in outlets optimization and channel upgrading, and continuously improved the competitiveness of outlets. On the one hand, the Group kept close attention on cost reduction and efficiency improvement. While constantly optimizing the layout of outlets and reducing operating costs, the Group accelerated the pace of transformation and upgrading, proactively explored the characteristic development path of outlets, and promoted differentiated operations. On the other hand, the Group focused on empowerment when opportunity arises, realised the full coverage of smart counters in outlets, continuously improved the functions of mobile banking, online banking and WeChat banking, strengthened online service support, created digital application scenarios such as “Jiutai RCB Benefiting Life”, and promoted the deep integration of consumption and finance.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at our outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of 31 December 2023, the Group had 355 self-service outlets, 48 self-service areas, and 856 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, AI customer service, SMS interaction and other means. As of 31 December 2023, the Group had 2,927,349 telephone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of 31 December 2023, the Group had 501,436 internet banking customers.

(D) Mobile banking

The Group provides customers with mobile banking services, including account inquiry and management, transfer and remittance, fee payment and mobile payment services. As of 31 December 2023, the Group had 1,174,037 mobile banking customers.

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(E) WeChat banking

Through WeChat, the Group's customers can access information about products, services and promotions, manage accounts, search for locations of outlets and reserve counter services of the Group. As of 31 December 2023, the Group had 266,988 WeChat banking customers.

(e) Information on the Subsidiaries

(i) Jilin Jiuyin Financial Leasing Co., Ltd.

The Bank, as the main promoter, applied to the Former CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. ("**Jilin Jiuyin**"). Jilin Jiuyin's registered address is in Changchun of Jilin province, and it has a total of 525.0 million shares, 315.0 million shares of which is held by the Bank, accounting for 60.00%. Jilin Jiuyin obtained the business license on 20 February 2017 from the Administration for Industry and Commerce of Jilin province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at 31 December 2023, total assets of Jilin Jiuyin amounted to RMB3,324.9 million. In 2023 and 2022, the operating income of Jilin Jiuyin was RMB121.0 million and RMB127.6 million, accounting for 2.2% and 1.9% of the Group's total operating income, respectively.

(ii) Village and township banks

As of 31 December 2023, the Bank controlled and consolidated a total of 34 village and township banks in areas including Jilin, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of 31 December 2023, these village and township banks had total assets of RMB62,836.6 million, total deposits of RMB57,737.6 million and total loans of RMB36,302.5 million. In 2023 and 2022, the operating income of these village and township banks was RMB1,542.4 million and RMB1,852.1 million, accounting for 28.0% and 28.1% of the Group's total operating income, respectively.

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The Bank's village and township banks provide local corporate and retail customers with a broad range of financial products and services. These products and services include commercial and consumer loans, bill discounting, deposits from customers and fee and commission-based products and services, such as settlement services, remittance services and bank card services. Some village and township banks also engage in money market transactions and invest in debt securities. In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise their risk management. In addition, the Group and other banks in China have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among village and township banks in China. The Bank has also established six service centers in Jilin, Tianjin, Anhui, Guangdong and Hainan to support the Bank's village and township bank operations.

(f) Operation and Safety of IT Systems

In 2023, the Bank carried out IT work through four focuses, including improving the financial technology governance system, accelerating the smart reengineering of financial services, building a new digital infrastructure, and consolidating the foundation for sustainable development, in order to promote digital transformation of the Bank and provide effective support for the innovative development of various businesses.

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(i) Improved the financial technology governance system

In order to effectively implement relevant requirements in the Guiding Opinions on the Digital Transformation of the Banking and Insurance Industry (《關於銀行業保險業數字化轉型的指導意見》) issued by the Former CBIRC and the Financial Technology Development Plan (2022-2025) (《金融科技發展規劃(2022-2025年)》) issued by the PBOC, fully implement the Bank's financial technology innovation implementation plan, promote the Bank's high-quality development through financial technology innovation, adapt to the new pattern of digital finance in the development of modern economy, and improve the ability and level of serving the real economy, in 2023, the Bank continuously conducted system governance, carried out system review of existing systems in force, revised and improved 20 information technology systems such as the Terminal Equipment Management Measures (《終端設備管理辦法》), the Regulations on the Management of Production Environmental Data and Document Transmission (《生產環境數據及文件傳輸管理規定》), improved the information technology management and control system, and improved the ability to prevent information technology risks and supply chain risks. The Bank organized and carried out publicity activities for the sixth anniversary of the implementation of the Cybersecurity Law, financial standards benefiting human-beings and enterprises, network security week and others. Focusing on the publicity theme and adopting various publicity methods, the Bank publicized financial security knowledge to outlet customers and the society, and fulfilled our social responsibility. Through carrying out skills training for scientific and technological personnel and on-site inspection of outlets, the Bank strengthened the cybersecurity management and guarantee ability, implemented the cybersecurity management policies, adopted the combination of online and offline methods, strengthened the cybersecurity awareness of all staff and the information security skills of scientific and technological personnel of the Bank.

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(ii) Accelerated the smart reengineering of financial services

The Bank always insisted on using financial technology means to actively support business development and management improvement. The Bank explored the development trend and scenarios application of financial technology and accelerated the digital innovation and transformation. In 2023, the Bank launched a series of financial products in line with actual condition and promoting the industrial development on the online financial integrated services platform, innovated loan products, improved the risk control system, further promoted business development towards multi-channel, green and convenient, security and compliance. Taking community finance as the entry point, the Bank organically integrated financial services and lifestyle services, the “Inclusive Financial Services Platform” was selected as an excellent case in the activity of “Leap Ahead into a New Era, Rural Finance in Action” collectively led by China Economic Times (中國經濟時報社) and Guoyan Economic Research Institute (國研經濟研究院), and was compiled into the Rural Finance Yearbook of China of 2022 (《2022年中國農村金融年鑒》). The Bank continued to carry out the data platform structural optimization and data governance, built a mobile management platform, to better create a convenient, efficient and safe office experience and support the accuracy, efficiency and comprehensiveness of business decisions. In particular, the “comprehensive data display platform” project was awarded as the “Excellent Application Case of Data Management of Jilin Province in 2023”. The Bank attached importance to the protection of intellectual property rights and actively carried out the summarization of scientific and technological achievements. In 2023, the Bank was granted 7 computer software copyrights issued by the National Copyright Administration, and as of the end of 2023, 34 software copyrights have been approved.

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(iii) Created a new digital infrastructure

In 2023, the overall operation and maintenance of the Bank's data center server room maintained in a good condition. To cope with the increasing complexity of the network architecture and the rapid growth of network traffic, the Bank applied a software-defined network (SDN) architecture, realized the unified management, integration and virtualization of network resources, provided on-demand allocation of network resources and services, macro controlled network traffic, rationally allocated network resources and improved the utilization rate of network resources in overall. The Bank comprehensively promoted the infrastructure of virtualization and cloud platform, completed all the work of storage virtualization structure transformation, ensured the scalability and flexibility of system resources, and supported flexible and scalable technology platforms. The Bank implemented on-line monitoring projects, realized active monitoring of host computer and business system, connected alarm information into monitoring system uniformly, and established the centralized production environment monitoring system. Under the guidance of ISO 22301 system, the Bank continuously optimized the automatic operation and maintenance platform, utilized the automatic technology to transform the manual execution into automatic operation, improved the work efficiency of network operation and maintenance, host operation and maintenance, monitoring system, ITSM process, etc., and realized the standardized and systematic management of IT operation and maintenance and business continuity. The Bank further summarized and optimized the cybersecurity structure, improved the host security defense capability, strengthened the application security protection capability, strengthened the data security protection, and provided guarantee for the safe and reliable operation of the business system. The "SRE-based Intelligent Security Operation and Maintenance Integration Platform" project won the Financial Sci-tech Innovation Award organized by the Financial Computerizing (《金融電子化》) magazine.

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(iv) Strengthened the foundation of sustainable development

In order to guarantee and guide the digital transformation of the Bank, the Bank focused on strengthening the construction of financial technology talents. On the one hand, the Bank organized the communication with peers, attended the digital transformation conference of the industry, continuously improved the skills of employees in the fields of project management, system research and development, quality control and cybersecurity; on the other hand, the Bank cultivated the digital thinking and execution ability integration with financial scenarios of employees, to follow the development trend of the era and the demand of talent development. In 2023, personnel of the Bank have obtained the reviewer of ISO Quality Management System (QMS), Information Security Management System (ISMS), Certified Data Governance Professional (CDGP), PCI Security Engineer certification, OpenGauss and MogDB database certification, Certified Data Center Professional (CDCP) and Certified Data Center Facility Operations Manager (CDFOM) certification. As of the end of 2023, the Bank had one person who is a senior engineer and 18 personnel with 9 senior certifications such as System Analyst, Information Systems Project Manager, Project Management Professional (PMP), Certified Information Systems Auditor (CISA), Certified Information Security Professional (CISP), Certified Information Systems Security Specialist (CISSP), etc.

4.5 Risk Management

(a) Risk Management of the Bank

The Bank is committed to building a comprehensive risk management system to eliminate the impact of various uncertainties on the Bank's strategy and business objectives. The Bank's comprehensive risk management has a hierarchical structure. As the highest decision-making body of risk management, the Board is responsible for establishing and maintaining an effective comprehensive risk management system. The Bank has established a sound risk management system. Risk management procedures are adopted at all managerial levels and good risk management culture is cultivated to achieve the overall objectives of risk management. The comprehensive risk management of the Bank covers all major risks, including the credit risks, market risks, operating risks, liquidity risks, reputational risks, legal and compliance risks, IT risks, anti-money laundering and anti-terrorist financing management risks.

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(i) Credit risk management

Credit risk is the risk of loss related to failure by a debtor or counterparty to meet its contractual obligations or to changes in their credit ratings. The Bank's credit risks arise mainly from corporate loans, personal loans and treasury operations.

The Bank's credit risk management organization includes its president, Risk Management and Control Committee, Credit Approval Committee, risk management department, credit approval department, front desk business department, branches and audit department.

The Bank prepares annual credit approval plans, credit limit plans and credit policies based on national and regional economic development plans, financial market conditions, austerity requirements, its asset and liability structure and deposit and loan growth trends.

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism – The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.
- Credit exit mechanism – The Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (1) financial condition; (2) substantial shareholders; (3) key managers and technicians; (4) customers quality; (5) payment ability; and (6) business environment.

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- Risk alert mechanism – The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides advices to deal with the issue.
- Non-performing asset disposal mechanism – The Bank has established an accountability mechanism for the disposal of non-performing assets.

The Bank has established a system to manage the provision of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management, including risk identification and monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitors the use of loans.

In 2023, the Bank seriously complied with the national financial policies and industrial policies and strictly implemented the regulatory requirements. The Bank further optimized its credit risk management procedures and measures, and strengthened the centralized management of credit risk, so as to effectively improve its credit risk management. Firstly, the Bank earnestly promoted the implementation of the Risk Classification Measures of Financial Assets of Commercial Banks (《商業銀行金融資產風險分類辦法》) within the Bank, carried out assets quality risk categorization and monitoring alert to take the initiative in identifying and solving credit risk in a timely manner. The Bank performed credit assets quality management in the post pandemic period and implemented its policies precisely, effectively prevent and control credit risks. Secondly, the Bank focused on its principal business to support the development of the real economy. The Bank adjusted its credit policy and effectively determined its credit approval plan accordingly to further refine the credit structure. Thirdly, the Bank further standardized credit management. The Bank strictly conducted due and diligent investigation, unified the credit and credit review and other credit risk control system and mechanism. The Bank approved the credit limit scientifically and provided credit in reasonable forms. Potential risk of new credit products was assessed scientifically in order to determine the access criteria in a rational manner. Fourthly, the Bank reinforced the rating management and implemented stringent approval procedures for customer access, enhanced loan risk mitigation measures to ensure the quality of new loans. Fifthly, the Bank continued to monitor and analyze significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.

Chapter 4 Management Discussion and Analysis

(ii) Market risk management

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to changes in interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure for market risk management includes its front, middle and back offices. The Board of the Bank assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.

In 2023, the Bank closely monitored market changes and further refined the market risk management system. Market risks were fully measured based on sensitive analysis, duration, value at risk (VaR) and other tools. Abilities of identification, evaluation and prevention of market risks were further strengthened. The Bank strictly managed market risk limits and continued to monitor transaction limits, stop-loss limits and risk limits. The Bank also provided early warning and took effective measures for potential risks. Based on the results of its regular stress tests, market risk management strategies and methods were adjusted in a timely manner to further enhance the market risk management level.

Chapter 4 Management Discussion and Analysis

(A) Interest rate risk management

Interest rate risk refers to the possibility that uncertainty in changes in market interest rates may cause losses to commercial banks. Changes in interest rates may cause changes in future replacement cash flows or their discounted values for on- and off-balance sheet operations, resulting in a decline in the Bank's overall economic value, which may cause the Bank to suffer losses. Based on a variety of sources, interest rate risk can be categorized into repricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) or the re-pricing period (for floating interest rate). The Bank has established a banking book interest rate risk management system in line with the risk profile and business complexity, which was consistent with the Bank's overall development strategy and overall risk management system. The goal of banking book interest rate risk management is to achieve an effective balance of income, risk and capital within the tolerable interest rate risk limit according to the risk management level and risk preference of the Bank.

The Bank has established a governance structure compatible with its interest rate risk management, which mainly comprises the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the Board of Supervisors and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee performs relevant functions as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.



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In 2023, the Bank's monetary policy continued to be stable and prudent, and the Bank continued to make full use of the effectiveness of the loan market quotation rate (LPR) reform and the market-based adjustment mechanism for deposit interest rates. The Bank continued to follow the principle of safe and sound operation, strengthened its analysis of interest rate risk and took various measures to enhance its interest rate risk management. Firstly, the Bank perfected the interest rate risk management strategy. The Bank formulated and implemented corresponding management policies based on the forecast of interest rate trend and measurement results of changes in overall return and economic value, so to ensure that the interest rate risk level actually borne by the Bank is consistent with the risk tolerance, and that the Bank's book interest rate risk is generally controllable. Secondly, the Bank conducted a book rate risk stress test to ensure resilient to extreme scenarios of bank book rate risk. Thirdly, the Bank strengthened interest rate analysis and established and improved the pricing management system. The Bank established the scientific internal funds transfer pricing system (FTP) and loan rate pricing mechanism (RPM) to refine pricing, objectively evaluated the interest rate situation of each institution and product and its ability to generate profits, promoted the continuous improvement of earnings and market value, realized the optimal allocation of resources and structure, and improved the ability to prevent and control interest rate risk.

The table below sets forth the results of the Group's gap analysis based on the earlier of (i) the expected next repricing dates and (ii) the final maturity dates of its assets and liabilities as of 31 December 2023.

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	27,149.6	675.0	26,474.6	—	—	—
Deposits with banks and other financial institutions	12,144.9	42.6	9,646.3	2,456.0	—	—
Placements with banks and other financial institutions	372.9	0.1	349.9	22.9	—	—
Loans and advances to customers	176,431.7	4,874.8	24,821.3	36,758.3	101,469.9	8,507.4
Financial assets held under resale agreements	7,543.6	3.8	7,539.8	—	—	—
Investment securities and other financial assets	38,696.0	2,713.7	7,773.0	6,357.5	13,535.6	8,316.2
Others ⁽¹⁾	7,436.3	7,436.3	—	—	—	—
Total assets	269,775.0	15,746.3	76,604.9	45,594.7	115,005.5	16,823.6
Liabilities						
Borrowings from the central bank	535.5	0.2	84.3	451.0	—	—
Deposits from banks and other financial institutions	111.3	1.2	110.1	—	—	—
Placements from banks and other financial institutions	3,064.5	14.4	392.5	2,657.6	—	—
Provision for credit commitments and financial guarantees	42.4	42.4	—	—	—	—
Financial assets sold under repurchase agreements	220.1	0.1	220.0	—	—	—
Deposits from customers	242,206.6	5,552.5	69,429.6	23,649.9	125,576.7	17,997.9
Debt securities issued	3,375.2	79.1	499.4	—	799.7	1,997.0
Others ⁽²⁾	1,354.9	1,354.9	—	—	—	—
Total liabilities	250,910.5	7,044.8	70,735.9	26,758.5	126,376.4	19,994.9
Asset-liability gap	18,864.5	8,701.5	5,869.0	18,836.2	(11,370.9)	(3,171.3)

Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2022					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	34,642.8	686.7	33,956.1	—	—	—
Deposits with banks and other financial institutions	11,092.3	30.8	9,766.5	1,295.0	—	—
Placements with banks and other financial institutions	425.2	0.3	370.0	54.9	—	—
Loans and advances to customers	170,597.4	3,927.5	32,078.6	76,676.9	49,317.4	8,597.0
Financial assets held under resale agreements	9,570.5	6.2	9,564.3	—	—	—
Investment securities and other financial assets	33,726.6	2,845.1	7,183.4	6,782.6	8,182.8	8,732.7
Others ⁽¹⁾	6,945.9	6,945.9	—	—	—	—
Total assets	267,000.7	14,442.5	92,918.9	84,809.4	57,500.2	17,329.7
Liabilities						
Borrowings from the central bank	3,679.8	0.5	574.1	3,105.2	—	—
Deposits from banks and other financial institutions	3,471.6	55.3	1,971.3	1,445.0	—	—
Placements from banks and other financial institutions	2,052.8	0.3	52.5	2,000.0	—	—
Provision for credit commitments and financial guarantees	74.1	74.1	—	—	—	—
Financial assets sold under repurchase agreements	50.0	—	50.0	—	—	—
Deposits from customers	232,291.9	4,946.8	81,878.2	27,449.0	118,017.9	—
Debt securities issued	5,351.2	79.2	499.8	1,976.1	799.5	1,996.6
Others ⁽²⁾	1,410.0	1,410.0	—	—	—	—
Total liabilities	248,381.4	6,566.2	85,025.9	35,975.3	118,817.4	1,996.6
Asset-liability gap	18,619.3	7,876.3	7,893.0	48,834.1	(61,317.2)	15,333.1

Notes:

- (1) Primarily includes property and equipment, goodwill, other receivables and prepayments, deferred tax assets, repossessed assets, interest receivables, interests in associates and right-of-use assets.
- (2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

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The Group uses sensitivity analysis to measure the impact of changes in interest rates on its net profit or loss and equity. The table below sets forth the results of the Group's interest rate sensitivity analysis based on its assets and liabilities as of the dates indicated.

(Amount expressed in millions of RMB, unless otherwise stated)	Year ended 31 December		Changes in net profit	Changes in equity
	2023	2022		
Increase by 100 basis points	(97.8)	(625.8)	115.2	432.8
Decrease by 100 basis points	97.8	625.8	(115.2)	(432.8)

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the re-pricing of the assets and liabilities within a year. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each fiscal year apply to non-derivative financial instruments;
- An interest rate movement of 100 basis points at the end of each financial year is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Chapter 4 Management Discussion and Analysis

(B) Exchange rate risk management

Exchange rate risk is the risk of loss to on- and off-balance sheet businesses of the Bank due to adverse changes in exchange rate. The exchange rate risk of the Bank arises mainly from the risk of foreign exchange exposure and accounting translation risk due to the mismatches between the currencies of assets and liabilities and the maturities of foreign exchange transactions. The Bank mainly uses foreign exchange exposure analysis, scenario analysis, and sensitivity analysis to measure exchange rate risk to closely monitor the trend of various currencies in the foreign exchange market. The Bank quantitatively predicts and controls potential risks by means of risk exposure limit management and proper and rational selection of transaction currencies in order to minimize the cost of exchange rate risk management and the impact of exchange rate fluctuations, so as to keep the Bank's exposure to exchange rate risk at an affordable level.

In 2023, the Bank avoided transactions with high exchange rate risks, adopted on-balance sheet and off-balance sheet hedging methods to control exchange rate risks, reasonably matched the currencies of transactions, expanded the proportion of unfunded transactions, and adopted centralized netting by central counterparties to reduce exchange rate risks and obtain stable returns; the Bank enhanced its foreign exchange asset and liability management by monitoring its foreign exchange exposures in real time, closing out its positions on behalf of its clients and its own transactions in a timely manner, and revaluing its balance sheet monetary items and on-monetary items at fair value on a daily basis. The Bank also fully examined the impact of changes in market risk factors on earnings or economic value, and proactively avoided potential systemic risks, thus comprehensively enhancing the Bank's level of exchange rate risk management.

Chapter 4 Management Discussion and Analysis

(iii) Operational risk management

Operational risk refers to the risk of loss caused by incomplete corporate governance structure, defective internal control procedures, failures of employees and IT systems or external events. Operational risk events include risk of internal and external fraud, risk relating to customers, products and operations and risk of errors and malfunctions of IT systems.

The Board of the Bank is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department mainly leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management department, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems.

In 2023, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank conducted investigation on abnormal behavior of employees. Quarterly inspections were carried out in respect of labor discipline, leave taking, duty shifting, mandatory leave, avoidance of duty performance and abnormal behavior of employees, which have effectively forestalled and solved existing abnormal behavior of all employees of the Bank. Secondly, the Bank implemented self-inspection and monitoring of accounting works. The Bank insisted on conducting quarterly inspections in accordance with the plan and procedures around the eight major aspects, including cashier management, counter service seal management, teller management, cash vault and cash management, performance of duties by the management of the outlets, payment settlement and account management, and important blank vouchers management, so that each inspection was recorded, rectified, and dealt with by the responsible person. Thirdly, systems related to consumer right protection were refined. The Bank strengthened its product and service management and proactively held various promotional activities to spread financial knowledge and basic legal knowledge to the public to enhance their awareness of legal system and capability of self-protection, which have effectively fulfilled the responsibility in protecting consumer rights. Fourthly, the information management system was enhanced. In 2023, through risk assessment, the information technology risk of the Bank was controllable in overall. It has a relatively perfect organizational structure and strategic planning, and basically satisfied the relevant requirements of information technology risk management in nine aspects including information technology governance, important information technology infrastructure management, information security and data security management, cyber security management, host security management, system development and test management, information system operational and maintenance management, business continuity management, supply chain security management.

Chapter 4 Management Discussion and Analysis

(iv) Liquidity risk

(A) Liquidity risk management

Liquidity risk refers to the risk of failure to secure sufficient funds to fulfil payment obligations at reasonable cost and in a timely manner. Liquidity risk is largely affected by external factors such as macroeconomic policies, changes in financial markets and competitive strengthens of the banking industry. Liquidity risk is also affected by internal factors such as maturity profile of assets and liabilities business structure, deposit stability, financing capability and so on. In extreme cases, illiquidity could lead to liquidity risk for commercial banks. The Bank's liquidity risk management aims to establish and continuously improve the strategy, policy and procedure of liquidity risk management and to specify the organization structure and responsibilities of the relevant functional departments so as to effectively identify, measure, monitor and control liquidity risks. The objective of liquidity risk management is to maintain the balance of safety, liquidity and efficiency of its operation.

The Bank established an effective liquidity management framework, decision-making system and related procedures. The Board of the Bank is ultimately responsible for liquidity risk management, and shall review and approve the policy, strategy and procedure relating to the liquidity management of the Bank and limit of liquidity risk according to its risk appetite. The Board will receive regular reports on the major and potential changes of the Bank's liquidity risks. The Assets and Liabilities Management Committee under the senior management is responsible for the implementation of the strategies and policies and procedures of liquidity risk management. The financial accounting department is responsible for the daily liquidity risk management and to cooperate with other function departments to orderly and efficiently manage the liquidity risk management system.

Chapter 4 Management Discussion and Analysis

In 2023, adhering to the liquidity risk management principles of “unified management, security and prudence, forward-looking management and full coverage”, the Bank strengthened the prospective and proactive management of liquidity. The Bank’s operations and liquidity management were effectively integrated, and overall liquidity remained stable. Firstly, the Bank improved the liquidity risk management system. Amendments were made to the Provisional Rules of Liquidity Risk Management (《流動性風險管理暫行辦法》), Management Measures of Liquidity Risk Limit (《流動性風險限額管理辦法》), Provisional Measures for Capital Position Management (《資金頭寸管理暫行辦法》), and Emergency Response Plan for Liquidity Risks (《流動性風險應急處置預案》). Secondly, the Bank strictly enforced its liquidity risk management policies and preferences. In 2023, the central bank lowered the RMB statutory reserve requirement ratio by 0.25 percentage point twice, which made the Bank’s liquidity more abundant. Meanwhile, in response to changes in internal and external circumstances, such as monetary policy adjustments and operational structural adjustments, the Bank continued to maintain a neutral risk appetite, and coordinated the relationship between safety, liquidity and efficiency, and played its role in supporting the development of the real economy. Thirdly, the Bank conducted liquidity risk stress tests. The Bank conducted regular liquidity stress tests on a quarterly basis to timely assess the Bank’s ability to withstand the pressure of liquidity risk and its risk mitigation capacity, and added a specialized stress test as at 31 March to strengthen the monitoring and prevention of liquidity risk in a timely manner. Fourthly, the Bank strengthened liquidity risk monitoring and management as well as early warning analysis. In addition to the implementation of regulatory requirements, taking into account the Bank’s actual situation, the Bank also closely monitored various indicators and limits to identify, assess and measure risks. The Bank identified risks in a timely manner and deployed risk prevention, control and mitigation efforts in advance. The Bank focused on strengthening day-to-day liquidity management, accurately calculated and monitored the liquidity risk in a timely manner, and reasonably adjusted the over-provision and liquidation funds to ensure that the provision is reasonably sufficient. The Bank compiled monthly statistics on assets and liabilities due for maturity to assist in liquidity risk monitoring. Combined with the liquidity indicators, the Bank prepared a monthly liquidity risk monitoring report, which provided reference for the Bank’s liquidity risk warning, identification and response work, and improved the liquidity risk measurement and monitoring system. Fifthly, the Bank improved its contingency plan and emergency drills. In order to further strengthen liquidity risk management, the Bank reformulated the “2023 Liquidity Risk Emergency Response Exercise Program (《2023年流動性風險應急處置演練方案》)” and launched the emergency response exercise for the current year. In the course of the exercise, the emergency exercise leading group responded quickly and properly, and the members of each group were able to coordinate and cooperate with each other, and carried out emergency joint operations in a timely manner in accordance with the emergency plan and functional requirements, and successfully completed the tasks of the exercise such as financing and fund deployment, which further enhanced the emergency response capability, raised the awareness of liquidity risk prevention, and strengthened the level of liquidity risk management.

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(B) Liquidity risk analysis

The Group funds its loan and investment portfolios principally through deposits from customers. Deposits from customers have been, and the Bank believes that it will continue to be, a stable source of funding. Deposits from customers with remaining maturities of less than one year accounted for 39.1% and 48.8% of the total deposits from customers as of 31 December 2023 and 2022, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of 31 December 2023.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023							Total
	Indefinite	Overdue/ On demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	12,599.1	14,550.5	—	—	—	—	—	27,149.6
Deposits with banks and other financial institutions	—	7,998.9	32.2	1,647.5	2,466.3	—	—	12,144.9
Placements with banks and other financial institutions	—	—	350.0	—	22.9	—	—	372.9
Financial assets held under resale agreements	—	—	7,543.6	—	—	—	—	7,543.6
Financial assets at fair value through profit or loss	667.4	—	—	—	—	—	—	667.4
Loans and advances to customers	4,820.4	474.0	3,457.7	10,363.3	39,452.0	105,692.5	12,171.8	176,431.7
Financial assets at fair value through other comprehensive income	144.7	—	545.0	75.1	1,182.8	7,395.5	5,229.0	14,572.1
Financial assets at amortised cost	—	7,212.0	1,317.1	211.6	5,320.4	6,285.4	3,110.0	23,456.5
Others ⁽¹⁾	7,027.4	99.5	—	—	23.3	286.1	—	7,436.3
Total assets	25,259.0	30,334.9	13,245.6	12,297.5	48,467.7	119,659.5	20,510.8	269,775.0

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(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023							Total
	Indefinite	Overdue/ On demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Liabilities								
Borrowings from the central bank	—	—	23.6	60.8	451.1	—	—	535.5
Deposits from banks and other financial institutions	—	40.1	71.2	—	—	—	—	111.3
Placements from banks and other financial institutions	—	2.5	42.1	352.2	2,667.7	—	—	3,064.5
Provision for credit commitments and financial guarantees	0.1	5.1	—	1.1	29.8	6.3	—	42.4
Financial assets sold under repurchase agreements	—	—	70.0	150.1	—	—	—	220.1
Deposits from customers	—	53,157.4	9,929.0	7,229.8	24,445.7	127,708.5	19,736.2	242,206.6
Debt securities issued	—	—	499.4	—	79.1	799.7	1,997.0	3,375.2
Others ⁽²⁾	—	610.5	385.8	4.4	38.6	280.1	35.5	1,354.9
Total liabilities	0.1	53,815.6	11,021.1	7,798.4	27,712.0	128,794.6	21,768.7	250,910.5
Net working capital	25,258.9	(23,480.7)	2,224.5	4,499.1	20,755.7	(9,135.1)	(1,257.9)	18,864.5

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(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2022							Total
	Indefinite	Overdue/ On demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	12,635.4	22,007.2	—	0.2	—	—	—	34,642.8
Deposits with banks and other financial institutions	—	8,824.4	447.4	515.9	1,304.6	—	—	11,092.3
Placements with banks and other financial institutions	—	—	370.2	0.1	54.9	—	—	425.2
Financial assets held under resale agreements	—	—	9,570.5	—	—	—	—	9,570.5
Financial assets at fair value through profit or loss	906.1	—	1,003.0	—	—	—	—	1,909.1
Loans and advances to customers	6,215.1	3,090.9	7,479.1	10,998.9	78,424.7	52,639.5	11,749.2	170,597.4
Financial assets at fair value through other comprehensive income	141.3	—	34.2	10.8	121.2	839.3	2,873.0	4,019.8
Financial assets at amortised cost	—	6,160.8	184.3	858.3	7,093.5	7,641.1	5,859.7	27,797.7
Others ⁽¹⁾	6,632.4	52.1	—	—	13.1	248.3	—	6,945.9
Total assets	26,530.3	40,135.4	19,088.7	12,384.2	87,012.0	61,368.2	20,481.9	267,000.7

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(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2022							Total
	Indefinite	Overdue/ On demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Liabilities								
Borrowings from the central bank	—	—	78.2	496.4	3,105.2	—	—	3,679.8
Deposits from banks and other financial institutions	—	11.3	1,804.6	201.5	1,454.2	—	—	3,471.6
Placements from banks and other financial institutions	—	2.5	50.3	—	2,000.0	—	—	2,052.8
Provision for credit commitments and financial guarantees	—	—	3.8	5.2	36.1	23.7	5.3	74.1
Financial assets sold under repurchase agreements	—	—	50.0	—	—	—	—	50.0
Deposits from customers	—	71,152.9	4,239.6	7,472.2	30,400.0	119,027.2	—	232,291.9
Debt securities issued	—	—	499.8	—	2,055.3	799.5	1,996.6	5,351.2
Others ⁽²⁾	—	597.5	414.6	5.5	113.0	232.3	47.1	1,410.0
Total liabilities	—	71,764.2	7,140.9	8,180.8	39,163.8	120,082.7	2,049.0	248,381.4
Net working capital	26,530.3	(31,628.8)	11,947.8	4,203.4	47,848.2	(58,714.5)	18,432.9	18,619.3

Notes:

- (1) Primarily includes property and equipment, goodwill, deferred tax assets, other receivables and prepayments, repossessed assets, interest receivables, interests in associates and right-of-use assets.
- (2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

Chapter 4 Management Discussion and Analysis

(v) Reputational risk management

Reputational risk is the risk of negative evaluation of the Bank by stakeholders resulting from the Bank's operations, management, other activities or external events. The Bank's reputational risk management aims to identify, monitor, manage and mitigate reputational risk through the establishment of a proactive, reasonable and efficient reputational risk management mechanism. These efforts allow the Bank to establish and maintain a positive image for its sustainable, steady and healthy development.

The Board of the Bank bears ultimate responsibility for reputational risk management. The Risk Management Committee under the Board is responsible for the monitoring and evaluation of the Bank's reputational risk management and providing opinions for the Board to make decisions. The senior management is responsible for taking the lead in the reputational risk management of the Bank and implementing the reputational risk management strategies and policies formulated by the Board. The senior management is also responsible for approving systems, methods, operational procedures and handling plans of reputational events related to reputational risk management to ensure smooth and effective operation of the reputational risk management system.

In 2023, the Bank continued to improve its reputation risk management system and mechanism and enhanced the level of reputation risk management. Firstly, the Bank strengthened the Group's management and mechanism by incorporating reputational risk into the Group's consolidated management system, guiding subsidiaries to formulate reputational risk management systems, and broadening the coverage of reputational risk management. Secondly, the Bank strengthened emergency response and node management, scientifically formulated countermeasures, and strengthened the proactiveness of reputation risk management. Thirdly, the Bank strengthened public opinion monitoring, organized information disclosure in a scientific manner, and continuously improved the comprehensiveness and transparency of information disclosure. Fourthly, the Bank did a good job in publicity and guidance in supporting agriculture and small businesses, serving the real economy and fulfilling its social responsibilities. Fifthly, the Bank solidly promoted the protection of consumers' rights and interests, continuously improved the consumer protection system, strengthened the management of complaints, handled the reasonable demands of consumers in a timely manner, strengthened the training of employees on the awareness of reputational risks, strictly adhered to the bottom line of compliance, and enhanced the quality of service.

Chapter 4 Management Discussion and Analysis

(vi) Legal and compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aims to establish an effective and comprehensive compliance risk management structure, promote the culture of compliance, improve the comprehensive risk management system so as to ensure the compliance of operation.

The Bank incorporates legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In 2023, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, in order to implement the spirit of the 2023 working meeting of the provincial federation and the working meeting of the legal compliance line, the Bank has implemented the "Ten Major Projects", firmly established the compliance concept of "Internal Control Priority, Compliance Oriented", and launched a compliance culture and construction year activities throughout the Bank. The activities include five aspects: speaking about compliance, learning about compliance, talking about compliance, doing compliance, and evaluating compliance. Secondly, in order to implement the requirements of the provincial party committee's inspection work, establish a sound system and strengthen the construction of internal control and compliance engineering, the Bank formulated the Implementation Plan for Institutional Governance Work (《制度治理工作实施方案》) and launched the institutional governance work. Thirdly, in order to further publicize the concept of the rule of law throughout the Bank, to promote the spirit of the rule of law, and to promote the continuous development of the rule of law in the Bank, the Bank launched the Civil Code Publicity Month in May 2023 under the theme of "Good Life comes with Civil Code (美好生活 民法典相伴)". Fourthly, the Bank strengthened case risk investigation on major entities, major business sectors and employees in major positions to achieve comprehensive prevention. The Bank paid high attention to case prevention and eliminated potential problems in a timely manner to effectively mitigate risks. In 2023, the Bank organized quarterly case risk screening and launched a Bank-wide publicity campaign to prevent illegal fund-raising. Fifthly, the Bank consolidated its foundation to strengthen compliant operation of grassroots institutions. The Bank instructed grassroots institutions to enhance the study of rules and regulations and conduct warning education, organized a compliance promotion team to conduct training at the grassroots level, continuously improved the compliance awareness of all employees.

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(vii) IT risk management

IT risk refers to the operational, reputational, legal and other risks arising from the use of information technologies due to natural factors, human factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risks through the development of effective systems. In doing so, the Bank seeks to ensure its safe and stable operation and promote business innovation through the application of advanced information technology, improve the use of information technology to enhance core competitiveness and sustainable development.

The Bank has established the IT Committee responsible for overseeing and guiding the work of IT. The Bank has included IT risks in its comprehensive risk management system while the IT department is responsible for implementation of specific risk management policies, plans and programs.

In 2023, through measures such as improving the IT risk management system, building the firewall of financial technology security, and consolidating the management capability of business continuity, the Bank strengthened identification, measurement, monitoring and control of IT risks and realized a round-the-clock and all-round IT risk management mechanism. Firstly, the Bank improved IT risk management system. In 2023, the Bank established a sound system, revised and improved 20 IT systems, including Measures for the Management of Terminal Equipment (《終端設備管理辦法》), the Regulations for the Management of Inspection and Monitoring of Machine Rooms (《機房巡檢監控管理規定》), and the Production Environment Information and File Transmission Management Regulations (《生產環境數據及文件傳輸管理規定》), to further strengthen the risk management, effectively prevent IT risks, and ensure the safe and stable operation of the information system. The Bank launched regular IT risk assessment to comprehensively analyze and evaluate IT risks and their management from the dimensions of IT management, IT critical infrastructure management, information security and data security management, network security management, host security management, system development and testing management, information system operation and maintenance management, business continuity management, and supply chain security management. The Bank enhanced the level of risk identification and risk control, and established a good IT risk assessment mechanism. The Bank organized and launched 7 IT project inspections and reviews covering IT governance, IT risk management, information security management, system development and testing, system operation and maintenance, business continuity, outsourcing management and data governance. Through launching skills training for technical staff and on-site inspections of outlets, the Bank strengthened network security management and protection capabilities, implemented the security management system for outlets. Through a combination of online and offline approaches, the Bank strengthened the cyber security awareness of all staff and the information security skills of technology personnel. Secondly, the Bank strengthened its financial technology security protection capability. Guided by the ISO27001 system, the Bank established an information security protection mechanism, formulated the information security work plan for 2023, sorted out and optimized the network security framework, enhanced the host security defense capability, strengthened the

Chapter 4 Management Discussion and Analysis

application security protection capability, strengthened the data security protection, intensified the fintech security management, constructed an all-round, full-process cybersecurity technology protection system, and enhanced its ability to respond to major cyberthreats, major disasters, and unforeseen events. Through the deployment of network boundary firewalls, IPS intrusion detection systems and EDR host protection systems, the Bank strictly carried out policy configuration, timely updated virus databases, and improved technology internal control management strategies and processes to ensure the safe and reliable operation of the business systems, and to provide adequate protection for the rapid uploading of the rapidly growing business systems. The Bank has sorted out and optimized the network security structure, upgraded the version of security equipment, and improved the security principles. The Bank continued to optimize the network big data analysis platform, realized proactive and intelligent analysis of massive security alarms, and realized intelligent, automated and integrated management. Thirdly, the Bank strengthened its business continuity management capabilities. Guided by the ISO22301 system, the Bank further improved the construction of information security and operation and maintenance system, realized the standardization and systematic management of IT operation and maintenance and business continuity, and formed an emergency response mechanism with prevention as the mainstay and continuous improvement, so as to better provide high-efficiency IT services and business continuity protection. On the basis of business impact analysis, the Bank improved various contingency plans and formulated contingency drill plans. In 2023, the Bank organized and launched 24 emergency drills on power, fire, air-conditioning and emergencies in server rooms. The Bank improved its emergency response capability, verified the effectiveness of emergency plans and the completeness of emergency resources, enhanced the risk awareness of the emergency response team and its emergency response capability in handling unexpected events, and ensured the safe and reliable operation of the data center and business systems.

(viii) Anti-money laundering and anti-terrorism financing management

Anti-money laundering management refers to the measures for preventing money laundering activities related to cover up and conceal of drugs dealing, organized crime, terrorism, smuggling, corruption and bribery, breaking the order of financial management and financial fraud.

The Bank has included anti-money laundering risk management into its comprehensive risk management system, and the Board bears the ultimate responsibilities of anti-money laundering risk management. The Board has established the management culture of anti-money laundering, reviewed and decided the strategies of anti-money laundering management and reviewed and approved the policies and procedures for anti-money laundering management. The Board receives periodic anti-money laundering report to understand major anti-money laundering events and the treatments in a timely manner. The senior management of the Bank is responsible for the implementation of anti-money laundering management and the execution of the Board's resolutions. The legal compliance department of the Bank is the lead department for the Bank's anti-money laundering efforts and is responsible for coordinating with all business departments to carry out anti-money laundering work, including the identification, assessment, supervision, reporting, inspection and others.

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In 2023, the Bank duly performed its responsibilities in anti-money laundering and anti-terrorism financing, and continued to enhance the anti-money laundering risk management. Firstly, the Bank improved its systems and policies. In strict compliance with the regulatory requirement, the Bank further improved its anti-money laundering system and enhanced the effectiveness and comprehensiveness of the anti-money laundering management system. The Bank further consolidated the internal mechanism for anti-money laundering and coordinated the work of different departments and organizations to ensure the performance of anti-money laundering tasks in high quality. Secondly, the Bank further strengthened its building of teams. The Bank conducted regular special training on anti-money laundering to promote employees' awareness of compliance with anti-money laundering requirements and strengthen their professional skills, so as to enhance their duty performance. Thirdly, the Bank implemented more effective monitoring and management. In order to prevent money laundering risk, the Bank further improved the internal control level, strengthened the risk prevention and control ability of anti-money laundering and ensured the order and stability of the economy and financial market through regular internal self-investigation of anti-money laundering and comprehensive customer management covering the whole process from pre-loan management and loan extension to post-loan management. The Bank conducted comprehensive anti-money laundering investigation and data monitoring and analysis and further refined the management of customer identification information in order to prevent and eliminate money-laundering crimes. Fourthly, the Bank developed the culture of anti-money laundering. The Bank proactively carried out anti-money laundering promotion with innovative methods, expanded coverage and extended promotion period to further strengthen the public awareness and participation in anti-money laundering, thereby creating a good social atmosphere valuing anti-money laundering.

(ix) Internal audit

The Bank's internal audit is an independent and objective supervision, assessment and consulting activity within the Bank. It is risk-oriented, and it reviews, assesses and supervises the improvement of business operation, risk management, internal control and compliance and effectiveness of corporate governance of the Bank through systemized and standardized methods in order to promote the sound development of the Bank and the realization of the strategic targets of the Board.

The objective of the Bank's internal audit is to promote the implementation of government's economic and financial laws and regulations, guidelines and policies, rules of regulatory authorities and various rules and regulations of the Bank. It raises opinions and makes suggestions on risk management, internal control and compliance and the effectiveness of corporate governance of the Bank within the Bank's risk management framework so that risks can be controlled at an acceptable level. The internal audit is also aimed at continuous improvement and enhancement of the Bank's business operation, management and values.

Chapter 4 Management Discussion and Analysis

The Bank's internal audit mainly consists of an internal audit organization system and an internal audit system at both the Group and subsidiary levels. A relatively independent and vertically managed internal audit organization has been established under the organizational system, with audit supervision covering all businesses and organizations of the Group. The independent and vertical internal audit management system at the Group level consists of the Board of Directors of the Bank, the Audit Committee, the audit department, the audit center and the audit staff under the Board of Directors of the Head Office, which are responsible for the corresponding division of responsibilities at the Group level. The audit department centrally organizes and manages the Group's audit work. The independent and vertical internal audit management system of village and township banks consists of the board of directors and supervisors of village and township banks and the specialized and independent audit positions, which are responsible for the corresponding division of responsibilities at their respective levels. Each village and township bank has set up a dedicated and independent audit position, which is subject to the dual management of the third center of on-site auditing of the audit department and the village and township banks, and the third center of on-site auditing of the audit department will make uniform arrangements for the deployment and organization of the auditing work.

The Bank's internal audit is independent from its business operation, risk management and internal control and compliance, and does not bear the responsibility of designing and operating the business system, fulfilling operational function, preparing financial statements, or initiating or approving business affairs. It is responsible for the evaluation of the performance of business operation, risk management, internal control and compliance and other functions and overseeing the rectification process in order to ensure the independence and effectiveness of audit.

The Bank's internal audit performs its duties through on-site audits, off-site audits, scheduled audits, non-scheduled audits, pre-notice audits, ad-hoc audits, comprehensive audits, special audits and audit investigation, to conduct audits for audit supervision and inspection, risk management review, case risk investigation, audit supervision and evaluation, and audit supervision and rectification, and achieved the business target of the year of promoting the standardization of operation and management activities, effectively preventing operation risks, implementation of case prevention and control, the authenticity and effectiveness of internal control evaluation, and correcting violations in a timely manner.

The Bank's internal audit audits and evaluates the Bank's operation management, practices, and performances through routine audit, including comprehensive audits, authenticity of final accounting and economic responsibility auditing, as well as audits and evaluations on the performance of key positions; strengthens the audits and supervision of the business practices and daily operations of the Bank's staff through position exchanges or ad-hoc audits to prevent operational risks and ethical risks. The Bank has also strengthened the implementation of rules and regulations and the audits have fulfilled the functions to identify, remedy and prevent errors, deviations, faults and omissions.

Chapter 4 Management Discussion and Analysis

(b) Risk Management of the Subsidiaries

As a separate legal entity, each subsidiary has established risk management and internal control systems in accordance with the applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Board representatives of the subsidiaries. The Bank supervises and monitors the implementation of the risk management processes of the subsidiaries through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

(i) Credit risk management

The respective policies of the subsidiaries provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

(ii) Market risk management

The respective policies require each subsidiary to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through interest rates adjustment for different types of products and developing new products. Each subsidiary also revalues its trading account positions on a regular basis, closely monitors trading limits, stop-loss limits and risk limits, and monitors market risks using measures such as stress tests.

(iii) Operational risk management

Each subsidiary has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

(iv) Liquidity risk management

The respective policies of each subsidiary provide for the management of liquidity risk through (i) a reporting system for large fund movement and a reasonable allocation of funds to increase returns on assets; (ii) closely monitoring movements in key liquidity indicators; (iii) adjusting the maturity profile of assets and liabilities; and (iv) conducting periodic cash flow analyses and liquidity stress tests to manage the liquidity risk.

Chapter 4 Management Discussion and Analysis

(v) Reputational risk management

The respective policies of each subsidiary provide for the management of reputational risk through (i) a system framework that clearly defines duties and responsibilities; (ii) a public opinion reporting system and classification systems for reputational events and public opinion; and (iii) contingency plans with specific procedures for handling reputational risk.

(vi) Legal and compliance risk management

The respective policies of each subsidiary provide for the management of legal and compliance risk through (i) regular compliance training; and (ii) a whistle-blower system to encourage employees to report non-compliance events.

(vii) IT risk management

Each subsidiary has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

(viii) Anti-money laundering and anti-terrorism financing management

Each subsidiary has established comprehensive anti-money laundering and anti-terrorism financing management rules and procedures in accordance with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each subsidiary is required to report suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center (中國反洗錢監測分析中心) individually as a separate legal entity in accordance with the relevant regulatory requirements.

(ix) Internal audit

Each subsidiary has designated auditors to perform independent audits, supervision and assessments and provide independent advice.



Chapter 4 Management Discussion and Analysis

4.6 Analysis on Capital Adequacy Ratio

All commercial banks in China are subject to capital adequacy requirements issued by the Former CBIRC. Since 1 January 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》). Commercial banks (except systematically important banks) in the PRC are required to maintain (i) capital adequacy ratios equal to or higher than 10.5%, 10.5%, 10.5%, 10.5% and 10.5% as of 31 December 2019, 2020, 2021, 2022 and 2023, respectively; (ii) tier-one capital adequacy ratios equal to or higher than 8.5%, 8.5%, 8.5%, 8.5% and 8.5% as of 31 December 2019, 2020, 2021, 2022 and 2023, respectively; and (iii) core tier-one capital adequacy ratios equal to or higher than 7.5%, 7.5%, 7.5%, 7.5% and 7.5% as of 31 December 2019, 2020, 2021, 2022 and 2023, respectively.

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The following table sets forth certain information relating to the Group's capital adequacy ratio as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of 31 December 2023	As of 31 December 2022
Core capital		
Paid-up capital	5,074.2	5,074.2
Qualifying portion of capital reserve	4,256.8	4,256.8
Surplus reserve	1,237.3	1,223.8
General risk reserve	2,747.2	2,636.7
Investment revaluation reserve	107.6	56.6
Retained earnings	2,684.2	2,639.9
Qualifying portions of non-controlling interests	1,483.4	1,502.7
Core tier-one capital deductions ⁽¹⁾	(561.5)	(150.5)
Net core tier-one capital	17,029.2	17,240.2
Other tier-one capital ⁽²⁾	184.8	194.2
Net tier-one capital	17,214.0	17,434.4
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,320.0	2,480.0
Surplus reserve for loan impairment	2,267.0	1,954.3
Eligible portion of non-controlling interests	362.9	384.6
Net capital	22,163.9	22,253.3
Total risk-weighted assets	195,300.0	193,589.1
Core tier-one capital adequacy ratio (%)	8.72%	8.91%
Tier-one capital adequacy ratio (%)	8.81%	9.01%
Capital adequacy ratio (%)	11.35%	11.50%

Notes:

- (1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.
- (2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and eligible portion of non-controlling interests.

Chapter 5 Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended 31 December 2023. All relevant sections of this report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRS.

I. Business Review

The Bank is a rural commercial bank in Northeast China. As at 31 December 2023, the Bank was the holding company of 15 majority-owned subsidiaries, 19 non-majority-owned subsidiaries and 1 majority-owned financial leasing company, each of which operates autonomously with its own brand name, IT, human resource, risk management and internal control systems.

The Group is engaged in a range of banking services and related financial services. The information on business review of the Group for the year ended 31 December 2023 is set out in “Management Discussion and Analysis” of this annual report.

II. Issuance of H Shares and Listing on the Hong Kong Stock Exchange

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on 12 January 2017. The global offering of the Bank comprised 759,000,000 H Shares (including over-allotment Shares and H Shares converted from Domestic Shares). The offer price was HK\$4.56 per H Share. The net proceeds from the global offering received by the Bank, after deduction of (i) the net proceeds from the sale of the sale shares under the global offering by the selling shareholders, and (ii) the underwriting commissions and other estimated expenses payable by the Bank in connection with the global offering, is approximately HK\$2,979.55 million. The Bank has used all net proceeds from the global offering to strengthen the core capital base of the Bank to support the growth of business.

III. Relationship between the Group and its Employees

The Group adheres to the people-oriented philosophy and endeavors to build stable and harmonious employment relations. The Group always treasures employees as its most valuable assets. The Group endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees.

Chapter 5 Report of the Board of Directors

The Group believes that continued growth depends on the ability and contribution of its employees. The Group attracts and retains talents through efficient recruitment, advanced training system and optimal employee assessment system and promotion mechanism. Its employees are young and energetic with high education level. The Bank has set up a training center and a team of in-house trainers to enhance the operation skills of its employees. Through various forms of internal selection, the Bank has set up various growth platforms for its employees. The Bank also actively seeks to bring in external quality talents, such as experienced business leaders and managers from large commercial banks. The Bank encourages regular communication between senior management and staff and organizes various activities to enhance cohesion.

The Bank has also established a scientific and effective appraisal system to determine the remuneration of employees based on their positions and performance. The Bank contributes to the social insurance of employees and provides other employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance and housing funds in accordance with PRC laws and regulations and relevant rules.

The Bank and each subsidiary have a labour union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary have maintained a good working relationship with its employees. As of the Latest Practicable Date, none of the Bank nor the Group's subsidiaries had experienced any labour strikes or other labour disturbances that materially affected the Group's operations or public image.

IV. Relationship between the Bank and its Customers

Retail Customers

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee and commission-based products and services. As of 31 December 2023, the Group had 67,138 retail borrowers with total loans and advances to customers of RMB25,749.8 million. In addition, the Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. As of 31 December 2023, the Group's retail deposits totalled RMB194,050.4 million.

Chapter 5 Report of the Board of Directors

Corporate Customers

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee-and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services departments and non-profit organisations. As of 31 December 2023, the Group had 4,641 corporate borrowers with loans and advances totalling RMB152,361.6 million.

V. Profits and Dividend

The Group's revenue for the year ended 31 December 2023 and the Group's financial position as of the same date are set out in "the Consolidated Financial Statements" of this annual report.

The declaration of a dividend is subject to the discretion of the Board, which will take into account the following factors when considering the payment of a dividend: (a) the financial results of the Group; (b) the cash flow situation and future cash requirements of the Group; (c) the general business conditions and strategies of the Group; (d) the statutory and regulatory restrictions; and (e) any other factors the Board may deem relevant. Given the fluctuating nature of earnings or loss of the Group, the Board does not recommend setting a target dividend payout ratio, or maintaining a consistent dividend payment over time. There can be no assurance that a dividend will be proposed or declared in any specific period. The Board will review the dividend policy from time to time.

The Board does not recommend the distribution of final dividend for the year ended 31 December 2023. The Board will propose the abovementioned resolution at the 2023 annual general meeting for approval. The Bank will issue an announcement separately if there are any changes in the arrangement of the abovementioned distribution of dividend.

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VI. 2023 Annual General Meeting and Book Closure Date

The 2023 annual general meeting will be held on Thursday, 23 May 2024. In order to determine the holders of H Shares who are eligible to attend the 2023 annual general meeting, the H share register of the Bank will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to qualify for attending the 2023 annual general meeting, share certificates accompanied by transfer documents must be lodged with the Bank's 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, not later than 4:30 p.m. on Friday, 17 May 2024. Holders of H shares of the Bank who are registered with Computershare Hong Kong Investor Services Limited on Thursday, 23 May 2024 are entitled to attend the 2023 annual general meeting.

A Shareholder or his/her proxy should present proof of identity when attending the 2023 annual general meeting. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the 2023 annual general meeting by providing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting.

VII. Changes in the Reserves

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended 31 December 2023 are set out in "Consolidated Statement of Changes in Equity" of this annual report. As at 31 December 2023, the distributable profit reserve of the Bank amounted to RMB2,351.3 million.

VIII. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Group for the year ended 31 December 2023 is set out in "Financial Highlights" of this annual report.

IX. Donations

For the year ended 31 December 2023, the Group made charity and other donation of RMB18.3 million in aggregate.



Chapter 5 Report of the Board of Directors

X. Property and Equipment

Details of the changes in property and equipment of the Group for the year ended 31 December 2023 are set out in “Note 26 to the Consolidated Financial Statements” of this annual report.

XI. Retirement Benefits

Details of the retirement benefits provided by the Group to employees are set out in “Notes 3 and 37 to the Consolidated Financial Statements” of this annual report.

XII. Substantial Shareholders

Particulars of the substantial Shareholders as of 31 December 2023 are set out in “Changes in Share Capital and Particulars of Shareholders — II. Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons” of this annual report.

XIII. Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank’s listed securities.

XIV. Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to the Shareholders.

XV. Major Customers and Major Suppliers

As of 31 December 2023, the Group’s five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and gross loans and advances to customers.

The Bank does not have any major supplier due to the nature of our business.

Chapter 5 Report of the Board of Directors

XVI. Share Capital

Please refer to the section headed “Changes in Share Capital and Particulars of Shareholders” of this annual report for details of the share capital of the Bank.

XVII. Members of the Board

Up to the Latest Practicable Date, the Board comprises:

Executive Directors:

Mr. Guo Ce
Mr. Liang Xiangmin
Mr. Yuan Chunyu

Non-executive Directors:

Mr. Cui Qiang
Mr. Zhang Yusheng
Mr. Wu Shujun
Mr. Zhang Lixin
Ms. Wang Ying

Independent Non-executive Directors:

Ms. Zhang Qihua
Mr. Fong Wai Kuk Dennis
Ms. Han Lirong
Ms. Jin Xiaotong
Mr. Sun Jiafu

Particulars of the Bank’s member of the Board are set out in “Directors, Supervisors, Senior Management, Employees and Organisations” of this annual report.

XVIII. Confirmation of Independence by the Independent Non-Executive Directors

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

Chapter 5 Report of the Board of Directors

XIX. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and Its Associated Corporations

Save as disclosed below, as of the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Bank had any interests and short positions in the shares, underlying shares or debentures of the Bank or any associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to be held under such provisions of the SFO), or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Hong Kong Listing Rules to be notified to the Bank and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Bank referred to therein.

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares ⁽¹⁾ (%)	Percentage of the total share capital of the Bank ⁽¹⁾ (%)
Yuan Chunyu	Executive Director, vice president, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	60,815 (L) ⁽²⁾	0.00 ⁽³⁾	0.00 ⁽³⁾
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	417,742,818 (L) ⁽²⁾	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	140,805,193 (L) ⁽²⁾	3.43	2.77
Hu Guohuan	Shareholder Supervisor	Domestic Shares	Beneficial owner	4,001,953 (L) ⁽²⁾	0.10	0.08

Notes:

- (1) As of the end of the Reporting Period, the Bank had a total of 5,074,191,569 Shares in issue, including 4,107,690,457 Domestic Shares and 966,501,112 H Shares.
- (2) L represents long position.
- (3) The percentage is rounded to two decimals.

Chapter 5 Report of the Board of Directors

XX. Arrangements to Purchase Shares or Debentures

During the Reporting Period and up to the Latest Practicable Date, none of the Bank or any of its subsidiaries or fellow subsidiaries has entered into any arrangement to enable the Directors and Supervisors of the Bank (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

XXI. Interests of Directors and Supervisors in Material Transactions, Arrangements or Contracts and Service Contracts

Saved as disclosed in this annual report, none of the Directors or Supervisors (or their connected entities) had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Bank or its subsidiaries subsisting during or at the end of the Reporting Period. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank or its subsidiaries within one year without payment of compensation (other than statutory compensation).

XXII. Management Contract

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

XXIII. Interests of Directors and Supervisors in Competing Businesses

None of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, either directly or indirectly, with the business of the Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

XXIV. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. Details of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report.

Chapter 5 Report of the Board of Directors

XXV. Connected Transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions of the Bank. However, such connected transactions can be exempted from compliance with relevant reporting, annual review, announcement and independent shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all the connected transactions and confirmed that it has complied with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24 “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. The details of the related party transactions conducted by the Bank in the ordinary and usual course of business are set out in “Note 47 to the Consolidated Financial Statements” of this annual report. The related party transactions set out in “Note 47 to the Consolidated Financial Statements” of this annual report also constitute connected transactions as defined in the Hong Kong Listing Rules, but none of them constitute a disclosable connected transaction as required by the Hong Kong Listing Rules.

XXVI. Remuneration Policies for Directors, Supervisors, Senior Management Members and Employees

Under the guidance of the relevant policies of the PRC, the Bank continues to improve the performance-based remuneration system for Directors, Supervisors, senior management members and employees. The Board is responsible for the design of the Bank’s remuneration management system and policies. The Remuneration Committee under the Board is responsible for the formulation of remuneration policies and systems, and is responsible for evaluating the performance of senior management and overseeing the implementation of the compensation system. The remuneration at each level of the Bank is linked to the operating performance and risk control assessment results, and the Board issues an operating target plan to the management every year. By setting the operating targets, the Board conveys the Board’s strategic development guidance and risk appetite to the management to ensure sound development and stable operation. The management decomposes and implements the management targets to the business departments and branches, and links the remuneration to the management targets, and pays the remuneration according to the assessment results after layers of assessment.

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The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Group's senior management.

The Bank offers its executive Directors, employee representative Supervisors and senior management members, who are also the Bank's employees, compensation in the form of salaries, bonuses, social insurances, housing provident fund plans and other benefits. The independent nonexecutive Directors and external Supervisors receive compensation based on their responsibilities. Please refer to "Note 12 to the Consolidated Financial Statements" in this annual report for the details of the remuneration of the Directors and Supervisors.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank implements the management of deferred performance pay for senior management and employees in positions that have significant risk impact. The proportion of deferred payment of remuneration for senior management is 50% of the performance remuneration in the year, and the proportion of deferred payment of performance remuneration for other employees is 40% of the performance remuneration in the year. The period of deferred payment of performance remuneration is generally three years. The deferred performance compensation is paid in 3-year installments in the ratio of 3:3:4 from the following year onwards. During the Reporting Period, there was no withholding for any reason.

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XXVII. Public Float

During the initial public offering of the Bank's H Shares, the Bank has applied to the Hong Kong Stock Exchange to ask the Hong Kong Stock Exchange to exercise its discretion to waive the requirement under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Hong Kong Listing Rules. According to the waiver granted by the Hong Kong Stock Exchange, the minimum public float of the Bank will be the highest of:

- (1) 16.9% of the Bank's total issued share capital;
- (2) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has not been exercised); and
- (3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

Immediately after the issue and allotment by the Bank and the sale by the selling shareholders of the over-allotment Shares due to full exercise of the over-allotment option, the number of H Shares in public hands represents 19.05% of the total issued share capital of the Bank, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Based on the publicly available information and as far as the Directors were aware, as of the Latest Practicable Date, the public float of H Shares of the Bank was 19.05%, which was in compliance with the requirement specified in the waiver granted by the Hong Kong Stock Exchange.

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XXVIII. Tax Relief

(1) Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the nonresident enterprise Shareholders whose names appear on the H Share register in the distribution of final dividend. As any Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organisations and groups, will be treated as being held by non-resident enterprise Shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise Shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent, and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

(2) Withholding and Payment of Individual Income Tax for Individual Overseas Resident Shareholders

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual Shareholders whose names appear on the H Share register ("Individual H Shareholder(s)") in the distribution of final dividend. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

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- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank. Shareholders of the Bank are taxed and/or entitle to enjoy tax relief in accordance with the aforementioned regulations.

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XXIX. Auditors

As SHINEWING (HK) CPA Limited (“SHINEWING (HK)”) has been providing international audit services to the Bank for many consecutive years, and the Bank was unable to reach an agreement with SHINEWING (HK) on the audit fee for the financial statements for the year ended 31 December 2023, SHINEWING (HK) has resigned as the international external auditing firm of the Bank for the year 2023 with effect from 10 November 2023. Due to the long distance from the Bank and the fact that the original price could not meet the work requirements, CAC CPA Limited Liability Partnership has resigned as the domestic external auditing firm of the Bank for the year 2023 with effect from 10 November 2023.

As considered and approved at the first extraordinary general meeting of 2023 of the Bank, the Bank engaged Da Hua Certified Public Accountants (Special General Partnership) as the auditor for the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises of the Bank for 2023, and engaged Crowe (HK) CPA Limited as the auditor for the financial statements prepared in accordance with the International Financial Reporting Standards of the Bank for 2023. Save as disclosed above, there was no change in the auditors of the Bank in the past three years.

Please also refer to the section headed “Corporate Governance Report — IX. External Auditors and Remuneration of Auditors” of this annual report for the information on the auditors’ remuneration.

XXX. Permitted Indemnity Provision

The Bank has arranged appropriate insurance covering possible legal liabilities of the Directors and the senior management arising from corporate activities to third parties.

XXXI. Major Risks and Uncertainties

Major risks and uncertainties faced by the Group include credit risk, operational risk, market risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Group has effectively enhanced its risk management capability. Please refer to the section headed “Management Discussion and Analysis — 4.5 Risk Management” of this annual report.

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XXXII. Future Development of Business

Please refer to the section headed “Management Discussion and Analysis — 4.1 Environment and Outlook” and “Management Discussion and Analysis — 4.2 Development Strategies” of this annual report for further details.

XXXIII. Key Financial Performance Indicators and Analysis

As of 31 December 2023, according to the financial data prepared under the IFRS, the total assets of the Group amounted to RMB269,775.0 million, representing a year-on-year increase of 1.0%; net loans and advances to customers amounted to RMB176,431.7 million, representing a year-on-year increase of 3.4%; the non-performing loan ratio was 2.34%, representing a year-on-year increase of 0.36 percentage points; total deposits from customers amounted to RMB236,654.1 million, representing a year-on-year increase of 4.1%; the total operating income of the Group amounted to RMB5,514.3 million, representing a year-on-year decrease of 16.4%; and the net profit of the Group amounted to RMB178.4 million, representing a year-on-year decrease of 89.3%. As of 31 December 2023, the Group’s capital adequacy ratio, tier one capital adequacy ratio and core tier one capital adequacy ratio was 11.35%, 8.81% and 8.72%, respectively. The gearing ratio of the Group, calculated by dividing the total liabilities by total assets, as of 31 December 2023 was 93.01%.

XXXIV. Environmental, Social and Governance Report

The Group places great emphasis on its own environmental and social performance by integrating the operation and management with social responsibilities, actively promoting inclusive finance and supporting green credit business in order to facilitate the regional social and economic development through various aspects. The Group communicates with stakeholders proactively through various communication channels to understand their expectations and requirement for the Group. In 2023, the Bank has complied with the “comply or explain” provisions set forth in the Environmental, Social and Governance Reporting Guide. For details of the above, please refer to the section headed “Environmental, Social and Governance Report” of this annual report.

The Bank continuously refined its rules and systems as well as the internal control and management system, and all departments could duly discharge their respective duties and responsibilities, so that the internal control system became more comprehensive, practicable and efficient. During the Reporting Period, the Bank has fully complied with all applicable provisions contained in the Code of Corporate Governance, and satisfied substantially all requirements of recommended best practice provisions as set out in the rules above. For details of the governance of the Bank, please refer to “Corporate Governance Report” of this annual report.

Chapter 5 Report of the Board of Directors

XXXV. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. As of 31 December 2023, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

Legal and compliance risk management of the Bank

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aims to establish an effective and comprehensive compliance risk management structure, specify the obligation of risk management, promote the culture of compliance, improve the comprehensive risk management system so as to ensure the compliance of operation.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

The Bank's legal compliance department is in charge of compliance management and monitoring of the Bank, including timely update on laws and regulations issued by governmental departments and financial regulatory authorities, adjustment of the policies and documents of compliance management and internal control of the Bank when appropriate, integration and supervision of compliance operations of branches, regular report on the implementation and development of compliance management to senior management. It also handles communications with the PBOC and the National Financial Regulatory Administration and its agencies, including daily contact, data delivery and implementation of specific regulatory inspection.

The Bank's legal compliance department is also responsible for legal risk management arising from business operations of the Bank, including drafting and reviewing legal documents such as contracts, legal risk analysis of mergers and acquisitions and new products and suggestion of solutions. The legal compliance department is also responsible for management and guidance on litigation relating to non-contentious legal issues and the provision of legal consulting services to all business departments and branches through internal legal training and other methods. To better manage and control legal risk, the Bank has appointed external legal counsel to provide professional legal support for its daily operations and management as well as professional legal services for its major business conflicts and litigations.

Chapter 5 Report of the Board of Directors

The Bank has established branch level internal control and compliance positions as needed which are in charge of the management of compliance and legal risks of branches under the leadership of the legal compliance department of the Head Office of the Bank. The Bank also conducts regular training programs and provides guidance on specific legal compliance operations to further improve legal and compliance risk management level at branches.

The Bank has established an anti-money laundering steering group under the Bank's legal compliance department, which is mainly responsible for convening meetings of anti-money laundering steering group, taking actions against rules violations or negligent conduct during anti-money laundering operations and reducing or controlling related risks by strengthening and improving the Bank's steering group process and rules. The Bank has established systems and implemented rules to identify, assess, monitor, control and report on money laundering risks. The Bank has also set up an anti-money laundering information monitoring and reporting system to report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis. It also reports all suspected money laundering activities to the local branch of the PBOC and cooperate in anti-money laundering investigations. The Bank provides anti-money laundering training and related promotional activities and inspections and requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Legal and compliance risk management of subsidiaries

The respective policies of each subsidiary provide for the management of legal and compliance risk through (1) regular compliance training, and (2) a whistle-blower system to encourage employees to report non-compliance events.

Each subsidiary has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each subsidiary reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center individually as a separate legal entity in accordance with the relevant regulatory requirements.

XXXVI. License Requirements

As of the Latest Practicable Date, the Bank and each subsidiary have obtained necessary business qualifications required for their business operations.

Chapter 5 Report of the Board of Directors

XXXVII. Legal Proceedings

The Bank and each subsidiary are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, none of the Bank or any of its subsidiaries were involved in any material pending lawsuits as a defendant.

During the Reporting Period and up to the Latest Practicable Date, none of the Bank's Directors, Supervisors, or senior management was involved in any litigation or arbitration.

XXXVIII. Issuance of Bonds

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear interest at the rate of 6.30% per annum.

In July 2021, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB2,000.0 million. The bonds have a term of 10 years and bear interest at the rate of 4.80% per annum.

From 1 January 2022 to 31 December 2022, the Bank issued five tranches of zero-coupon interbank certificates, with an aggregate face value of RMB2,500.0 million. The interbank certificates have a term of one year and bear interest at effective rates between 2.85% and 3.50%.

From 1 January 2023 to 31 December 2023, the Bank issued one tranche of zero-coupon interbank certificates, with an aggregate face value of RMB500.0 million. The interbank certificates have a term of one year and bear interest at an effective rate of 2.85%.

XXXIX. Equity-linked Agreement

During the Reporting Period and up to the Latest Practicable Date, the Bank did not enter into any equity-linked agreement.

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XL. Proposed Private Placement of Domestic Shares and Non-Public Issuance of H Shares

Based on the actual need of capital by the Bank, the Bank intended to replenish its core tier-1 capital by way of the issuance of new Shares to support future business development of the Bank, ensure the continuous compliance of the Bank's capital level with the regulatory requirements and better support the real economy. The resolutions in relation to the private placement of Domestic Shares (the "Private Placement of Domestic Shares") and the non-public issuance of H Shares (the "Non-public Issuance of H Shares") of the Bank had been approved by the Board at the Board meeting held on 12 July 2018. The Private Placement of Domestic Shares and the Non-public Issuance of H Shares were conditional upon each other so as to maintain the public float.

(1) Private Placement of Domestic Shares

The Bank intended to issue 200,000,000 to 400,000,000 Domestic Shares to no more than 10 qualified domestic institutional investors. The actual number of Domestic Shares to be issued shall be subject to the approval of the regulatory authorities.

(2) Non-public Issuance of H Shares

The Bank intended to issue no more than 151,800,000 H Shares to no more than 10 investors who were qualified to subscribe for the H Shares of the Bank. The number of H Shares to be issued shall be subject to the approval of the regulatory authorities, market conditions and the actual requirement of the Bank.

The resolution in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 of the Bank held on 5 September 2018. The resolution in relation to the extension of the validity period of the issue plans and relevant authorisations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the first extraordinary general meeting of 2019, the second domestic class meeting of 2019 and the second H share class meeting of 2019 of the Bank held on 24 October 2019. The resolution in relation to the extension of the validity period of the issue plans and relevant authorisations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the first extraordinary general meeting of 2020, the second domestic class meeting of 2020 and the second H share class meeting of 2020 of the Bank held on 22 October 2020. The resolution in relation to the extension of the validity period of the issue plans and relevant authorisations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the 2020 annual general meeting, the first domestic share class meeting of 2021 and the first H share class meeting of 2021 of the Bank held on 18 June 2021. The resolution regarding the adjustment

Chapter 5 Report of the Board of Directors

on the plans on the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the Board meeting of the Bank held on 30 August 2021, pursuant to which, the Board adjusted and updated the issue price and other matters under the plans on the Private Placement of Domestic Shares and the Non-public Issuance of H Shares based on market conditions and actual situation of the Bank. As the validity period of the issue plans and relevant authorisations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares expired on 18 June 2022, the resolution in relation to the extension of the validity period of the issue plans and relevant authorisations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the Board meeting of the Bank held on 30 March 2022 as well as the 2021 annual general meeting, the first domestic share class meeting of 2022 and the first H share class meeting of 2022 of the Bank held on 17 June 2022. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated 12 July 2018, 23 August 2019, 28 August 2020, 30 March 2021, 30 August 2021, 30 September 2021 and 30 March 2022 and the circulars dated 15 August 2018, 13 September 2019, 30 September 2020, 7 May 2021 and 27 April 2022 of the Bank, respectively.

The validity period of the issue plans for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares and the relevant authorisations resolutions expired, taking comprehensive consideration of existing market environment and the Bank's condition, the Board of the Bank resolved to terminate relevant matters of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares. The termination of relevant matters of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares will not have any material adverse impact on the Bank's financial condition or operation.

XLI. Acquisitions and Disposals of Assets and Business of Subsidiaries and Associates/ Corporate Mergers

From 1 January 2023 to 31 December 2023, the Bank had not conducted any significant acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

XLII. Events after the Reporting Period

Save as disclosed in this report, there was no material event occurring after the Reporting Period.

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XLIII. Review of Annual Results

Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRS, respectively, and issued standard unqualified auditors' reports. The Board of Directors and the Audit Committee have reviewed and adopted the results and financial report of the Bank for the year ended 31 December 2023.

XLIV. Publication of 2023 Annual Report

The Bank has prepared its 2023 annual report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.jtnsh.com).

XLV. Miscellaneous

- (1) As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (3) During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.
- (4) The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.
- (5) The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.

By order of the Board
Guo Ce
Chairman

Chapter 6 Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors performed its duties in strict accordance with the provisions of the Company Law, the Articles of Association and relevant laws and regulations. With focus on strategic decision-making supervision, internal control management supervision and risk control supervision, and aiming at regulating operations, strengthening management and preventing risks, the Board of Supervisors seriously supervised the performance of its duties, faithfully protected the legitimate rights and interests of the Bank and its shareholders, and effectively promoted the stable and healthy development of the Bank.

I. Basic Information of the Board of Supervisors

The fifth session of the Board of Supervisors of the Bank consists of 7 Supervisors, including 3 internal employee Supervisors and 4 external non-employee Supervisors (including 1 Shareholder supervisor), with the ratio of employee Supervisors and external Supervisors being no less than one-third. The Board of Supervisors had the Supervisory Committee and the Nomination Committee. Both committees are chaired by external Supervisors. The number and composition of the Board of Supervisors and the persons in charge of its special committees are in compliance with the regulations. There is no relationship between the external Supervisors and the Bank and its major shareholders that may affect their independent judgment.

II. Main Work of the Board of Supervisors

In 2023, the Board of Supervisors of the Bank closely focused on its central work, supervised the implementation of the resolutions of the General Meeting, monitored the overall work of the Board of Directors and the senior management, supervised and inspected the strategic direction, business operations, financial position and the performance of duties of the Directors and senior management of the Bank, actively protected the legitimate rights and interests of shareholders and employees, carried out its work independently in accordance with the law, ensured that the Bank's operation and management activities were legal and regulated and operated in an orderly manner, and gave full play to its supervisory functions.

Chapter 6 Report of the Board of Supervisors

(I) Strictly performing supervisory duties. The Board of Supervisors closely focused on strategic decision-making, internal control risks, systems and regulations, quality of assets, financial management, business operation processes, and the authenticity, legality and risks of new business development; performed its supervisory functions; and fully played a supervisory role in participating in decision-making and business management activities. Firstly, the Board of Supervisors paid attention to operation and management and implemented comprehensive supervision. In its work, the Board of Supervisors adhered to the principles of organization, and in accordance with the spirit of the policy documents and relevant laws and regulations, and in conjunction with the strategic decisions, business policies and management philosophy of the Board of Directors and senior management, actively completed the various tasks for which the Board of Supervisors is responsible. On the one hand, it put forward rationalized suggestions or supervisory opinions in the decision-making process, and on the other hand, it implemented and executed them seriously, so that the supervisory role of the Board of Supervisors could be carried out in the whole process of operation and management. Secondly, it participated in various meetings and strengthened the supervision of attendance. In accordance with the law, the Board of Supervisors attended general meetings, the Board meetings and operation and management meetings. The Board of Supervisors attended 2 general meeting, and ensured that the legality and compliance of the convening and voting procedures of the meeting. The Board of Supervisors actively participated in the Board meetings and related operation and management meetings, appointed Supervisors to attend or participate in meetings for more than 140 times, and effectively fulfilled the work responsibilities of the Board of Supervisors. Thirdly, it supervised key areas and prevented business risks. It supervised and coordinated the prevention and solution of credit risks, required the management to do a good job in post-loan management and early warning and monitoring, ensured that the quality of capital products was maintained at a reasonable level, strengthened the monitoring of daily indicators, reasonably matched the amount, maturity and structure, adapted to the new regulatory requirements, further studied the monitoring measures of liquidity matching ratio, quality asset adequacy ratio and other indicators, comprehensively improved the level of liquidity risk management, strengthened efforts to investigate various types of risks, prevented market risk, operational risk and reputation risk, and ensured the safe and stable operation.

Chapter 6 Report of the Board of Supervisors

(II) Adhering to standardize performance assessment. Firstly, the Board of Supervisors assessed the performance of the Board and the Directors, the senior management and its members, and the members of the Board of Supervisors. The Board of Supervisors standardized the approach, content and procedure for performance assessment of the Directors and senior management, and performed assessment via three steps including self-assessment, cross assessment and final assessment. Based on the self-assessment and cross assessment reports and materials submitted by the Board and senior management, and through investigation and interviews with the Directors and senior management and reviewing various business reports and the work summaries and work reports of the Directors and senior management, the Board of Supervisors understood their duty performance and conducted objective performance assessment according to the specific requirements of duty performance assessment. Meanwhile, based on the results of self-assessment and cross assessment of Supervisors, the Board of Supervisors assessed the Supervisors' supervision work and performance for the year, prepared the final assessment report on the Board, senior management and Supervisors, and put forward to the Shareholders' general meeting. The Board of Supervisors performed self-assessment. Based on the actual condition of the Bank and according to the requirement of the relevant requirements, the Board of Supervisors conducted the self-assessment diligently, which covered 8 aspects, namely organizational structure of the Board of Supervisors of the Bank, supervision and inspection, performance assessment, suggestions and risk alerts, convention of meetings, daily management, system construction and business risk management, and conducted the assessment on the work of the Board of Supervisors item by item.

(III) Initiatively conducting in-depth researches. Centering on social situation, the banking industry trend, the development strategies, market positioning and management approach of the Bank, the Board of Supervisors conducted researches on aspects including the marketing strategy, development condition of rural and township banks, risk management and channel business. The Board of Supervisors organized 4 collective researches and prepared 4 research reports and put forward to the Board and management in a timely manner, providing reference for the Bank's operation and management decision-makings.

Chapter 6 Report of the Board of Supervisors

(IV) Effectively conducting special inspection. The Board of Supervisors fully exerted the supervision functions, continuously strengthened the effectiveness of the Supervisory Committee and enhanced risk control capabilities. Throughout the year, four specific inspections were carried out on large-scale loans, credit business, finance business, accounting final budget, related party transactions, anti-money laundering, interbank investment and financing, to closely monitor and supervise the Bank's credit, finance, internal control, risk management and compliance management, and made rectification advice on existing related concerns, and guaranteed the steady operation of the Bank. At the same time, the Board of Supervisors guided the audit department to intensify its audit efforts and relied on the audit department to conduct comprehensive inspections in terms of risk and finance.

(V) Rigorously issuing risk alerts. Based on the daily supervision, the data and information reported monthly by departments of the Bank, study reports and special inspections as well as the reports of the audit department, the Board of Supervisors performed the internal control and risk prevention procedure, conducted risk prediction and issued notices of the Board of Supervisors to all management and relevant departments as risk alerts regarding the emerging risks or existed issues. Throughout the year, the Board of Supervisors issued six risk alerts, and urged the effective rectification by relevant departments or institutions, so as to scientifically prevent operational risks through the alert mechanism.

(VI) Effectively enhancing daily management. Firstly, the Board of Supervisors conducted meetings in strict compliance with the rules. During the year, 4 meetings of the Board of Supervisors were convened and 106 resolutions were considered and approved. The Supervisory Committee had convened 4 meetings and approved 85 resolutions. The Nomination Committee had convened 4 meetings and approved 23 resolutions. All internal and external Supervisors as well as shareholder Supervisors attended meetings in person and provided supervisory opinions and suggestions when reviewing the legality of the resolutions and the decisions made by the Bank. Secondly, the Board of Supervisors adhered to training courses. Through online and offline and other methods, the Board of Supervisors organized business conferences and training programs for the Supervisors and other officers of the Board of Supervisors regularly. Latest announcements issued by the CBIRC were distributed to all Supervisors during the meetings of the Board of Supervisors to facilitate their understanding of the latest trends, in order to improve the monitoring level of the Supervisors in an all-round and multi-dimension manner.

Chapter 6 Report of the Board of Supervisors

III. Independent Opinions of the Board of Supervisors

(I) Performance of the Board of Directors and the senior management. During the Reporting Period, the Board of Directors and the senior management diligently discharged their responsibilities in accordance with the Code of Corporate Governance of Banking and Insurance Institutions and the Articles of Association of the Bank. The Board of Directors has always been political, worked together diligently and prudently in respect of the development and major strategic decision making of the Bank and led the Bank to achieve sound development. The senior management continued to improve the planning and implementation of strategies, duly formulated and executed operational measures, and operated and managed in accordance with laws to ensure the successful completion of the tasks of the year.

(II) Compliance operation. During the Reporting Period, the operation of the Bank complied with the requirements of the relevant laws and regulations and the Articles of Association of the Bank. Operational decisions and the decision-making procedures were legal and effective. Directors and members of senior management reasonably and duly performed their duties with caution during the course of operation and management. No material violation of laws, regulations and the Articles of Association of the Bank or damage to the interests of the Bank and Shareholders by any Directors or senior management when performing their duties in the Bank was identified.

(III) True situation of the financial report. The accounting firm has audited the financial report for the year of 2023 of the Bank and issued a standard unqualified audit report. The Board of Supervisors is of the view that the annual financial report of the Bank gave a true and fair view of the financial position and operational results and there were no material omission or false representation in the financial report.

(IV) Connected transactions. During the Reporting Period, the Related-party Transactions Control Committee of the Board and the relevant departments managed connected transactions in accordance with the relevant regulations. The identification, review and disclosure of connected transactions were in compliance with the laws and regulations of the PRC and the Articles of Association of the Bank. No incident of damage to the interests of the Bank was identified.



Chapter 6 Report of the Board of Supervisors

(V) Internal control. During the Reporting Period, the Bank established an internal control system and structure comprised of the Board of Directors, Board of Supervisors, senior management, internal control department, internal audit department and business divisions with clear division of responsibilities and reporting lines. There were no material defects concerning the completeness and reasonableness of the internal control system of the Bank.

(VI) Acquisition and disposal of assets. During the Reporting Period, as far as the Board of Supervisors is aware, there was no acquisition or disposal of assets of the Bank that would harm the interests of Shareholders or result in any loss of assets of the Bank.

(VII) Implementation of resolutions of the Shareholder's general meetings. During the Reporting Period, the Supervisors attended or were present at the Shareholders' general meetings and meetings of the Board, and reviewed the resolutions passed by the Board. The Board of Supervisors agreed to the reports and resolutions submitted by the Board for approval in the Shareholders' general meetings during the Reporting Period. The Board of Supervisors has supervised the implementation of resolutions adopted at the Shareholders' general meetings and is of the opinion that these resolutions were duly implemented by the Board of Directors with its responsibility fulfilled and value added. No damage to the interests of the Shareholders was identified.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

I. Changes in Share Capital of the Bank during the Reporting Period

As of 31 December 2023, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital (%)
Domestic Shares	4,107,690,457	81.0
H Shares	966,501,112	19.0
Total	5,074,191,569	100.0

There were no changes to the share capital of the Bank during the period from 1 January 2024 to the Latest Practicable Date.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

II. Particulars of Shareholders

(I) Particulars of Shareholdings of the Top Ten Holders of the Domestic Shares of the Bank

As of 31 December 2023, the top ten holders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	Total number of Shares held at 31 December 2023	Approximate percentage in the total issued share capital of the Bank at 31 December 2023 (%)	Pledged or frozen
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	487,618,170	9.61	—
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	417,742,818	8.23	—
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	231,580,506	4.56	—
4	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	140,805,193	2.77	—
5	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	129,825,167	2.56	95,700,000
6	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	127,786,982	2.52	127,786,982
7	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	125,552,340	2.47	—
8	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	111,599,871	2.20	—
9	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	106,067,642	2.09	—
10	Changchun Changqing Pharmaceutical Group Co., Ltd. (長春長慶藥業集團有限公司)	100,439,713	1.98	—
Total		1,979,018,402	39.00	223,486,982

Chapter 7 Changes in Share Capital and Particulars of Shareholders

(II) Interests and Short Positions of Substantial Shareholders and Other Persons

To the best knowledge of the Bank, as at 31 December 2023, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the Shareholders' general meetings of any other member of the Bank.

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁶⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Domestic Shares					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	487,618,170(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	417,742,818(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	231,580,506(L)	4.56	5.64
Jilin Province He'an Automobile Leasing Co., Ltd. (吉林省和安汽車租賃有限公司) ⁽¹⁾	Interest in controlled corporation	Domestic Shares	231,580,506(L)	4.56	5.64
Liu Haoran (劉浩然), Wang Xiangli (王祥力) ⁽²⁾	Interest in controlled corporation	Domestic Shares	231,580,506(L)	4.56	5.64

Chapter 7 Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁸⁾	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
H Shares					
China Create Capital Limited	Beneficial owner	H Shares	179,778,119(L)	3.54	18.60
Wang Tao (王濤) ⁽³⁾	Interest in controlled corporation	H Shares	179,778,119(L)	3.54	18.60
China Huarong Overseas Investment Holdings Co., Ltd.	Beneficial owner	H Shares	125,245,750(L)	2.47	12.96
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司) ⁽⁴⁾	Interest in controlled corporation	H Shares	125,245,750(L)	2.47	12.96
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) ⁽⁵⁾	Interest in controlled corporation	H Shares	125,245,750(L)	2.47	12.96
China Asset Management (Hong Kong) Limited	Investment manager	H Shares	125,245,750(L)	2.47	12.96
Longyuan International (Hongkong) Limited	Beneficial owner	H Shares	127,891,523(L)	2.52	13.23
Aurum Thrive Limited (金隆有限公司)	Beneficial owner	H Shares	57,232,401(L)	1.13	5.92
Zhang Dan (張丹) ⁽⁶⁾	Interest in controlled corporation	H Shares	57,232,401(L)	1.13	5.92
Huijin Capital Limited	Beneficial owner	H Shares	60,167,559(L)	1.19	6.22
Mia Chen ⁽⁷⁾	Interest in controlled corporation	H Shares	60,167,559(L)	1.19	6.22

Notes:

- (1) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Province He'an Automobile Leasing Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (2) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. and Mr. Liu Haoran and Mr. Wang Xiangli directly hold 50% of the total issued share capital of Jilin Province He'an Automobile Leasing Co., Ltd. respectively. According to the SFO, Mr. Liu Haoran and Mr. Wang Xiangli are deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (3) Mr. Wang Tao holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Wang Tao is deemed to be interested in the Shares held by China Create Capital Limited.
- (4) China Huarong Overseas Investment Holdings Co., Ltd. is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. According to the SFO, Huarong Huaqiao Asset Management Co., Ltd. is deemed to be interested in the Shares held by China Huarong Overseas Investment Holdings Co., Ltd.
- (5) China Huarong Overseas Investment Holdings Co., Ltd. is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a majority shareholder of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by China Huarong Overseas Investment Holdings Co., Ltd.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

- (6) Zhang Dan holds the entire issued share capital of Aurum Thrive Ltd. Aurum Thrive Ltd. directly holds 57,232,401 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Ltd.
- (7) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 60,167,559 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.
- (8) L represents long positions.
- (9) Under Part XV of the SFO, disclosure of interest forms shall be submitted by Shareholders of the Bank upon satisfaction of certain conditions. If there are changes in the Shareholders' shareholdings in the Bank, Shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial Shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is mainly based on the disclosure of interests forms submitted by the relevant Shareholders.

Save as disclosed above, as at 31 December 2023, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(III) Shareholders Holding 5% or More of the Share Capital

Please refer to “II. Particulars of Shareholders – (II) Interests and Short Positions of Substantial Shareholders and Other Persons” of this chapter for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified and the Bank does not have a controlling shareholder or actual controller.

As of the Latest Practicable Date, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 487,618,170 Domestic Shares of the Bank and representing 9.61% of the total issued share capital of the Bank.

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organisations

I. Information on Directors, Supervisors and Senior Management Members

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

Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Guo Ce (郭策)	56	Chairman, Executive Director	September 2023	June 2024	Responsible for comprehensive operation and strategy management, making material decisions and developing the business strategy
Mr. Liang Xiangmin (梁向民)	58	Vice Chairman, Executive Director	April 2016	June 2024	Participate in making material business decisions and developing the business development strategy
Mr. Yuan Chunyu (袁春雨)	52	Executive Director, Vice President, Secretary to the Board and Joint Company Secretary	December 2012	June 2024	Participate in making material business decisions and developing the business development strategy, and take charge of the office of the Board, general office and village and township bank management departments
Mr. Cui Qiang (崔强)	59	Non-executive Director	August 2019	June 2024	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Zhang Yusheng (張玉生)	74	Non-executive Director	April 2015	June 2024	Same as above
Mr. Wu Shujun (吳樹君)	65	Non-executive Director	December 2012	June 2024	Same as above
Mr. Zhang Lixin (張立新)	47	Non-executive Director	August 2021	June 2024	Same as above

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Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Ms. Wang Ying (王瑩)	40	Non-executive Director	August 2021	June 2024	Same as above
Ms. Zhang Qiu Hua (張秋華)	61	Independent Non-executive Director	August 2019	June 2024	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Ms. Han Lirong (韓麗榮)	61	Independent Non-executive Director	August 2021	June 2024	Same as above
Ms. Jin Xiaotong (金曉彤)	60	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Sun Jiafu (孫甲夫)	52	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Fong Wai Kuk Dennis (方緯谷)	47	Independent Non-executive Director	September 2021	June 2024	Same as above

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Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	52	Chairman of the Board of Supervisors, Employee Supervisor	December 2008	June 2024	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enjiu (王恩久)	55	Employee Supervisor	December 2008	June 2024	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	48	Employee Supervisor	December 2015	June 2024	Same as above
Ms. Dai Yundi (戴昀弟)	61	Non-employee Supervisor	June 2021	June 2024	Supervision of the Board of Directors and senior management
Mr. Liu Jianxin (劉建新)	54	Non-employee Supervisor	June 2021	June 2024	Same as above
Mr. Dong Shuaibing (董帥兵)	52	Non-employee Supervisor	June 2021	June 2024	Same as above
Ms. Hu Guohuan (胡國環)	61	Shareholder Supervisor	June 2021	June 2024	Same as above

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organisations

Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Chen Xinzhe (陳新哲)	53	President	June 2021	June 2024	Responsible for the overall management of the business operations, and take charge of planning and finance, operation and management, human resources, the Party affairs departments and offices, etc.
Mr. Yuan Chunyu (袁春雨)	52	Executive Director, Vice President, Secretary to the Board and Joint Company Secretary	December 2012	June 2024	Participate in making material business decisions and developing the business development strategy, and take charge of the office of the Board, general office and village and township bank management departments
Ms. Sun Haijuan (孫海娟)	51	Vice President	September 2023	June 2024	Take charge of personal finance, retail credit, business channels, technology information and other departments
Mr. Cong Jingtai (丛景泰)	52	Vice President ⁽¹⁾	–	June 2024	–
Mr. Qin Lei (秦磊)	41	Assistant to the President	August 2022	June 2024	Responsible for the operation and management of the operations department
Ms. Ding Wei (丁巍)	46	Assistant to the President	October 2023	June 2024	Responsible for the operation and management of Changchun Branch, and assist in managing part of business, and other departments

Note:

- (1) On 10 November 2023, the Board of the Bank resolved to appoint Mr. Cong Jingtai as the vice president of the Bank and his term of office shall commence on the date on which his qualification is approved by regulatory authorities and end on the date of expiry of the fifth session of the Board. As of the Latest Practicable Date, the qualification of Mr. Cong Jingtai as the vice president remains subject to the approval of regulatory authorities.

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors

The Board of the Bank received a resignation report from Mr. Gao Bing, on 17 March 2023. Mr. Gao Bing resigned from the positions of executive Director, Chairman of the Bank,

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the chairman of the Strategy and Development Committee of the Board and the Chairman of the Three Rurals Financial Services Committee of the Board, etc., due to the relevant regulation regarding expiration of the term of office as a key personnel, effective immediately.

On 30 March 2023, the Board has considered and approved the resolution in relation to the nomination of Mr. Guo Ce as the candidate for executive Director of the Bank. On 16 June 2023, the Bank held the 2022 AGM and elected Mr. Guo Ce as an executive Director of the Bank. The term of office of Mr. Guo Ce as an executive Director shall commence from the date on which his qualification is approved by regulatory authorities, and shall end on the expiry of the term of the fifth session of the Board. After the 2022 AGM, the Board elected Mr. Guo Ce as the Chairman of the fifth session of the Board of the Bank for a term commencing from the date on which his qualification is approved by regulatory authorities until the expiry of the term of the fifth session of the Board. The qualifications of Mr. Guo Ce to serve as an executive Director and Chairman of the Bank have been approved by the Jilin Bureau of the National Administration of Financial Regulation on 6 September 2023 and 24 November 2023, respectively.

For details of the above matters, please refer to the announcements of the Bank dated 17 March 2023, 30 March 2023, 16 June 2023, 8 September 2023 and 27 November 2023 and the circular of the Bank dated 27 April 2023.

As the term of office of the Fifth Session of the Board of the Bank is about to expire, in accordance with the relevant provisions of the Articles of Association, the Board intends to hold a general election. At the thirteenth meeting of the Fifth Session of the Board of the Bank held on 27 March 2024, a resolution was passed proposing the nomination of Mr. Guo Ce, Mr. Liang Xiangmin, Mr. Yuan Chunyu, Mr. Liu Xiangzhi, Mr. Zhang Yusheng, Mr. Wu Shujun, Mr. Zhang Lixin, Ms. Wang Ying, Mr. Sun Jiafu, Mr. Fong Wai Kuk Dennis, Ms. Jin Xiaotong, Mr. An Mingyou and Mr. Yin Xiaoping as the candidates for Directors of the sixth session of the Board of the Bank (the “Sixth Session of the Board”), which will be submitted for election at the 2023 annual general meeting of the Bank. The above list of candidates for the Directors of the sixth session of the Board will be considered by the Bank at the 2023 annual general meeting to form the Sixth Session of the Board.

According to the Articles of Association, unless adjustment is required by the applicable laws and regulations, the term of office of the Directors of the Sixth Session of the Board shall be three years, and they shall be eligible for re-election and re-appointment upon expiry of their terms of office subject to relevant provisions. Among them, the term of office of ten of them, namely, Mr. Guo Ce, Mr. Liang Xiangmin, Mr. Yuan Chunyu, Mr. Zhang Yusheng, Mr. Wu Shujun, Mr. Zhang Lixin, Ms. Wang Ying, Mr. Sun Jiafu, Mr. Fong Wai Kuk Dennis and Ms. Jin Xiaotong, will commence from the date of the approval of the election of the Directors at the general meeting and end on the date on which the term of office of the Sixth Session of the Board is terminated; and the term of office of three of them, namely, Mr. Liu Xiangzhi, Mr. An

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Mingyou and Mr. Yin Xiaoping, will commence on the date on which the approval of the election of the Directors at the general meeting and their qualifications for appointment were approved by the regulatory authorities and will end on the date of expiry of the term of office of the Sixth Session of the Board.

For details of the aforesaid matters, please refer to the announcement of the Bank dated 27 March 2024 and the circular of the Bank dated 26 April 2024 respectively.

Save as disclosed above, there were no changes in Directors of the Bank during the Reporting Period and as at the Latest Practicable Date.

(II) Changes in Supervisors

As the term of office of the Fifth Session of the Board of Supervisors of the Bank is about to expire, in accordance with the relevant provisions of the Articles of Association, the Board of Supervisors intends to hold a general election. At the thirteenth meeting of the Fifth Session of the Board of Supervisors of the Bank held on 27 March 2024, a resolution was passed proposing the nomination of Ms. Dai Yundi, Mr. Liu Jianxin, Mr. Dong Shuaibing and Ms. Hu Guohuan as the candidates for the Non-employee Supervisors of the sixth session of the Board of Supervisors of the Bank (the “Sixth Session of the Board of Supervisors”), which will be submitted for election at the 2023 annual general meeting of the Bank. The above list of candidates for the Non-employee Supervisors of the sixth session of the Board of Supervisors will be considered by the Bank at the 2023 annual general meeting.

According to the Articles, the Board of Supervisors shall have employee representative supervisors, and the number of the employee supervisors of the Bank shall not be less than one-third of the total number of the supervisors. The Bank will convene the employee representative meeting to elect the employee supervisors for the Sixth Session of the Board of Supervisors in due course to form the Sixth Session of the Board of Supervisors together with non-employee supervisors.

According to the Articles of Association, unless adjustment is required by the applicable laws and regulations, the term of office of the Supervisors of the Sixth Session of the Board of Supervisors shall be three years, will commence from the date of the approval of the election of the Supervisors at the employee representative meeting and general meeting, and they shall be eligible for re-election and re-appointment upon expiry of their terms of office subject to relevant provisions.

For details of the aforesaid matters, please refer to the announcement of the Bank dated 27 March 2024 and the circular of the Bank dated 26 April 2024 respectively.

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Save as disclosed above, there were no changes in the Supervisors of the Bank during the Reporting Period and up to the Latest Practicable Date.

(III) Changes in Senior Management Members

On 16 June 2023, the Board of the Bank resolved to appoint Ms. Sun Haijuan as the vice president of the Bank and her term of office shall commence on the date on which her qualification is approved by regulatory authorities and end on the date of the expiry of the term of office of the fifth session of the Board. The qualification of Ms. Sun Haijuan as the vice president was approved by the Jilin Bureau of the National Administration of Financial Regulation on 25 September 2023.

On 30 August 2023, the Board of the Bank resolved to appoint Ms. Ding Wei as the assistant to the President of the Bank and her term of office shall commence on the date on which her qualification is approved by regulatory authorities and end on the date of the expiry of the term of office of the fifth session of the Board. The qualification of Ms. Ding Wei as the assistant to the President was approved by the Jilin Bureau of the National Administration of Financial Regulation on 24 October 2023.

On 10 November 2023, the Board of the Bank resolved to appoint Mr. Cong Jingtai as the vice president of the Bank and his term of office shall commence on the date on which his qualification is approved by regulatory authorities and end on the date of the expiry of the term of office of the fifth session of the Board. As of the Latest Practicable Date, the qualification of Mr. Cong Jingtai as the vice president remains subject to the approval of regulatory authorities.

Due to his age, Mr. Zhu Weidong has applied to resign from the position of vice president. On 30 March 2023, the Board of Directors resolved to terminate the appointment of Mr. Zhu Weidong as vice president.

Due to personal health reason, Mr. Gao Zhonghua applied for resignation as the vice president. On 16 June 2023, the Board of the Bank resolved to dismiss Mr. Gao Zhonghua as the vice president.

On 1 December 2023, due to work reasons, Mr. Du Ping tendered his resignation letter to the Board to resign from the position as the assistant to the president, with effective immediately.

On 28 March 2024, due to work reasons, Mr. Li Guoqiang tendered his resignation letter to the Board to resign from the position as the vice president, with effective immediately.

Save as disclosed above, there were no changes in members of the Bank's senior management during the Reporting Period and as of the Latest Practicable Date.

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III. Biographies of Directors, Supervisors and Senior Management Members

(I) Biographies of Directors

Executive Directors

Mr. Guo Ce (郭策) has been the Party Secretary of the Bank since March 2023. Mr. Guo has been the executive director of the Bank since September 2023 and the chairman of the Board of the Bank since November 2023. Prior to joining the Bank, Mr. Guo served as a credit officer in the credit section of Changchun South Street Sub-branch of the Industrial and Commercial Bank of China from November 1991 to March 2000; deputy chief officer in the operation department of Jilin Branch of the Industrial and Commercial Bank of China from March 2000 to November 2000; head of secretary section in operation department office of Jilin Branch of the Industrial and Commercial Bank of China from November 2000 to May 2001; deputy director in the general management division of the operation department of Jilin Branch of the Industrial and Commercial Bank of China from May 2001 to December 2001; deputy director of the general planning division of the operation department of Jilin Branch of the Industrial and Commercial Bank of China from December 2001 to March 2003; deputy director of the corporate business division of operation department of Jilin Branch of the Industrial and Commercial Bank of China from March 2003 to March 2006; vice president (deputy director level, presiding over the work) and secretary of the party general committee of the Changchun Erdao Sub-branch of the Industrial and Commercial Bank of China from March 2006 to April 2007; president (director level) and secretary of the party general committee of Changchun Erdao Subbranch of the Industrial and Commercial Bank of China from April 2007 to December 2010; a member of the preparatory team of Changchun Branch of Huaxia Bank from December 2010 to June 2011; vice president of Changchun Branch of Huaxia Bank from June 2011 to July 2011; vice president and member of the party committee of Changchun Branch of Huaxia Bank from July 2011 to March 2020; a manager of Changchun Branch of Huaxia Bank (candidate for chief risk officer of Bank of Jilin) from March 2020 to December 2020; chief risk officer (designate) of Bank of Jilin from December 2020 to January 2021; chief risk officer (designate) and general manager of the asset protection department (special assets operation department) of the head office of Bank of Jilin from January 2021 to February 2021; the chief risk officer and general manager of the asset protection department (special assets operation department) of the head office of Bank of Jilin from February 2021 to April 2021; chief risk officer of Bank of Jilin from April 2021 to October 2021; chief risk officer and the party secretary of Changchun Branch of Bank of Jilin from October 2021 to December 2021; the party secretary and president of Changchun Branch of Bank of Jilin from December 2021 to March 2023. Mr. Guo graduated from Jilin College of Finance and Trade (now known as Jilin University of Finance and Economics) in July 1991 with a bachelor's degree in finance.

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Mr. Liang Xiangmin (梁向民) has been the Bank's executive Director since April 2016 and the Bank's Vice Chairman since June 2019. Mr. Liang joined the Bank's predecessor in August 1985 and he was a credit clerk, a bookkeeper and an accountant for agricultural loans at Chunyang Credit Cooperative from August 1985 to July 1988 and from July 1990 to June 1993 respectively, and a human resources inspector and a deputy head of the operations department at Jiutai Rural Credit Cooperative Union from June 1993 to August 1994 and from August 1994 to February 1996 respectively. He was deputy head and head of Longjiabao Credit Cooperative from February 1996 to April 2006, head of the business department of Jiutai Rural Credit Cooperative Union from April 2006 to October 2007, deputy head of the branches of Jiutai Rural Credit Cooperative Union in Changchun Development Zone from October 2007 to December 2008, an assistant to the Bank's president from December 2008 to August 2010, a vice president of the Bank from August 2010 to October 2019, the chief operating officer of the Bank from August 2014 to August 2019 and the Bank's president from October 2019 to June 2021. Mr. Liang completed his rural finance studies at Jilin Vocational Secondary School of Agricultural Bank of China in July 1990, and graduated from a correspondence course at the Changchun Finance College in January 2007, majoring in finance.

Mr. Yuan Chunyu (袁春雨) has been the Bank's executive Director and the secretary to the Board since December 2012. Mr. Yuan joined the Bank in November 2010 and served or concurrently served as director of office, the general manager of the innovative business department and the head of the office of the Board, and has been the vice president of the Bank since October 2021. Prior to joining the Bank, Mr. Yuan was a staff member and division head of Jiutai Employment Service Bureau from July 1995 to August 2002 and head of Social Affairs Division (reserve cadre in training) in the Policy Research Office of Municipal Government of Jiutai Municipal Committee from August 2002 to February 2004. He was placed as deputy head of the Office of Jiutai Municipal Government from February 2004 to June 2007 for field practice and served as an assistant to head of the Office of Jiutai Municipal Government from June 2007 to October 2007 and deputy head of the Office of Jiutai Municipal Government from October 2007 to November 2010. Mr. Yuan graduated from Hebei Geological Institute (currently known as Hebei GEO University) in July 1995, majoring in foreign economics and management.

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Non-executive Directors

Mr. Cui Qiang (崔強) has been the Bank's non-executive Director since August 2019. Mr. Cui held various positions at Jilin Province Trust Co., Ltd. since November 2011, including the chief risk officer from November 2011 to January 2017, the chief compliance officer and the general manager of compliance department from January 2017 to October 2018, the chief investment officer and the general manager of investment department from October 2018 to May 2022, and the third level staff since May 2022. Mr. Cui served as a credit officer and the division head of Fusong Sub-branch of Industrial and Commercial Bank of China from August 1988 to December 1994; the director, the head of the accounting division and the vice president of Credit Cooperative of Fusong Sub-branch of China Construction Bank from December 1994 to September 1997; the president of Changbai Sub-branch of China Construction Bank from September 1997 to February 2000; the manager of planning and finance department of Baishan Branch of China Construction Bank from February 2000 to September 2006; the vice president of Tonghua Branch of China Construction Bank from September 2006 to October 2009; the vice president of Baishan Branch of China Construction Bank from October 2009 to November 2011. Mr. Cui graduated from Dongbei University of Finance and Economics in July 2002, majoring in quantitative economics. Mr. Cui was accredited as a professional manager in October 2006.

Mr. Wu Shujun (吳樹君) has been the Bank's non-executive Director since December 2012. Mr. Wu served as a project manager of Shuangyang District Construction Corporation from September 1997 to July 2001 and a project manager of Changchun Wanxing Construction Co., Ltd. from August 2001 to February 2003; and served as the legal representative and general manager of the Bank's shareholder, Changchun Dingxing Construction Engineering Co., Ltd. from March 2004 to December 2014 and one of its shareholders since January 2015. Mr. Wu graduated from a correspondence course in Changchun Institute of Technology in July 2001, majoring in civil engineering.

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Mr. Zhang Yusheng (張玉生) has been the Bank's non-executive Director since April 2015. Mr. Zhang was secretary of Youth League Committee of Luxiang Town, Shuangyang District from August 1970 to October 1977, deputy secretary of the party committee of Sheling Village, Shuangyang District from November 1977 to March 1980, deputy secretary of the party committee of Luxiang Town, Shuangyang District from April 1980 to November 1983 and secretary of the party committee of Luxiang Town, Shuangyang District from December 1983 to June 1987. He was director of the Township Enterprise Bureau of Shuangyang District from June 1987 to September 1990, head of the mining and construction department of Changchun Township Enterprise Bureau from September 1990 to March 1993 and general manager of Changchun No. 4 Construction Company from March 1993 to May 2001. Mr. Zhang was the legal representative and general manager of the Bank's shareholder, Changchun Huaxing Construction Co., Ltd., from May 2001 to September 2010 and has been one of its shareholders since September 2010. Mr. Zhang has served as representative of Changchun People's Congress since December 2007. Mr. Zhang graduated from Liaoning Correspondence Party School in December 1993, majoring in economics; and from a correspondence course in Jilin University of Technology in July 1999, majoring in industrial and civil construction management. Mr. Zhang is also a senior economist accredited by Office of Personnel of Jilin Province in August 2003.

Mr. Zhang Lixin (張立新) has been the non-executive Director of the Bank since August 2021. Mr. Zhang served as the head of auditing of Jilin Yuanda Accounting Firm (吉林遠大會計師事務所) from July 2000 to December 2002, the head of audit department of Zhonghongxin Jianyuan Certified Public Accountants Co., Ltd. (中鴻信建元會計師事務所) from January 2003 to December 2005. Mr. Zhang worked for Jilin Province Television Broadcasting and Information Network Limited (吉林省廣播電視信息網絡集團有限責任公司) and successively served as the deputy manager of the audit department (in charge), deputy manager of the planning and financial department (in charge) and the manager of the planning and financial department from January 2006 to November 2007. Mr. Zhang served as the chief financial officer of Jishi Media Co., Ltd. (吉視傳媒股份有限公司) from June 2011 to May 2012, the assistance to general manager and chief financial officer of Jishi Media Co., Ltd. (吉視傳媒股份有限公司) from May 2012 to January 2018, and has served as the member of the party committee, the assistance to general manager and chief financial officer of Jishi Media Co., Ltd. (吉視傳媒股份有限公司) since January 2018. Mr. Zhang has served as the executive director and general manager of both Jishi Media and Culture Industry Investment Co., Ltd. (吉視傳媒文化產業投資有限責任公司) and Jilin Northeast Asia Big Data Start-up Services Co., Ltd. (吉林東北亞大數據創業服務有限公司) since August 2020. Mr. Zhang graduated from Changchun Taxation College (長春稅務學院) (currently known as Jilin University of Finance and Economics) in July 2000, majoring in accounting (certified public accountants specialized). Mr. Zhang obtained his qualification of Certified Public Accountant from the Ministry of Finance of the PRC and the qualification of senior accountant from the Department of Finance of Jilin Province in November 2002 and November 2018, respectively.

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Ms. Wang Ying (王瑩) has been the Bank's non-executive Director since August 2021. Ms. Wang joined Changchun Yeal Electrical Appliance Co., Ltd. (長春研奧電器有限公司), the predecessor of Yeal Electric Co., Ltd., in April 2010, served as the human resources specialist, the secretary to the board of directors, the deputy secretary of the party branch and the chairman of the labor union of Changchun Yeal Electrical Appliance Co., Ltd. from April 2010 to May 2016; served as a representative of securities affairs, the deputy secretary of the party branch and the chairman of the labor union of Changchun Yeal Electrical Appliance Co., Ltd. from June 2016 to November 2016; and she has served as a representative of securities affairs, the deputy secretary of the party branch and the chairman of the labor union of Yeal Electric Co., Ltd. (listed on the Growth Enterprise Market of the Shenzhen Stock Exchange, stock code: 300923) since November 2016. Ms. Wang graduated from Changchun University of Technology with a master's degree in April 2010, majoring in sociology and human resources. Ms. Wang obtained the securities practitioner qualification certificate of the Securities Association of China in October 2016; the professional qualification of board secretary from the Shenzhen Stock Exchange in July 2017; the PMP Project Management Qualification Certificate of the Project Management Institute of the United States in September 2019; the professional qualification of corporate human resources manager of the Ministry of Human Resources and Social Security in January 2020; and the certificate for completion of the follow-up training of the board secretary from the Shenzhen Stock Exchange in December 2020.

Independent Non-executive Directors

Ms. Zhang Qiuhua (張秋華) has been the Bank's independent non-executive Director since August 2019. Ms. Zhang is currently a professor at the School of Law of Jilin University of Finance and Economics, the leader of the first-level discipline of law, the director of financial and economic law research center of Jilin University of Finance and Economics and a member of faculty committee of Jilin University of Finance and Economics. Ms. Zhang has been teaching at Jilin University of Finance and Economics (formerly known as Jilin Finance and Trade College and Changchun Taxation College) since July 1985, where she served as a lecturer and associate professor, mainly engaged in the teaching and research of economic law. From March 1999 to June 2012, she served as the director of the Department of Economic Law, and was hired as a professor in September 2011. From December 2013 to February 2014, as a senior visiting scholar, she went to the University of Wurzburg, Germany to carry out research on cooperation project, focusing on comparison of company laws of China and Germany. Ms. Zhang is currently a standing member of the China Economic Law Research Institute, a member of the China Society Law Research Association, a member of the legal experts' pool of Jilin Provincial Party Committee, legal consultant of Jilin Provincial Government, chief legal consulting expert of Jilin Law Society, the president of the Corporate Law Research Association of the Jilin Law Society, the vice president of various research associations, including the Economic Law Research Association, Bankruptcy Law Research Association and Northeast Asian Law Research Association, of the Jilin Law Society, and an arbitrator of the Changchun Municipal Arbitration Commission. Ms. Zhang obtained a bachelor's degree in history from Northeast Normal University in July 1985, a master's degree in law from Jilin University in July 1997, and a doctorate degree in law from Jilin University in December 2008.

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Mr. Fong Wai Kuk Dennis (方緯谷) has been the Bank's independent non-executive Director since September 2021. Mr. Fong is currently a managing partner of Llinks Law Offices, an admitted solicitor of Hong Kong and admitted solicitor in England and Wales (non-practising). Mr. Fong has extensive experience in corporate and commercial legal matters, specializing in mergers and acquisitions, capital market trading, corporate restructuring and general corporate financing and commercial matters, including acting as a legal advisor as to Hong Kong laws for the issuers or sponsors/underwriters of initial public offerings and listings on the Main Board of the Hong Kong Stock Exchange and GEM (formerly known as Growth Enterprise Market). Before joining Llinks Law Offices, Mr. Fong worked for a number of large international law firms in Hong Kong. He is currently a member of Appeal Panel (Housing) under the Transport and Housing Bureau, a member of Lump Sum Grant Independent Complaints Handling Committee under the Social Welfare Department, a member of Disciplinary Tribunal Panel of Hong Kong Institute of Certified Public Accountants and a legal advisor of Little People of Hong Kong Foundation, a charity organisation established for supporting children who suffer from skeletal dysplasia. Mr. Fong was a vice chairman of Rare Disease Hong Kong from 2014 to 2020 and an adjudicator of Registration of Persons Tribunal under the Security Bureau from 2016 to 2020. Mr. Fong graduated from the University of Hong Kong with a bachelor's degree in law and obtained professional certificate in Laws in December 1999.

Ms. Han Lirong (韓麗榮) has been the Bank's independent non-executive Director since August 2021. Ms. Han is currently a professor and doctoral tutor of the Department of Accounting of the Business School of Jilin University. She worked in the accounting treatment division of the finance and accounting department (財會處方法科) of Changchun First Automobile Factory (長春第一汽車廠) (currently known as China First Automobile Group Co., Ltd.) as an assistant accountant from July 1988 to June 1991 and taught at Changchun Taxation College (長春稅務學院) (currently known as Jilin University of Finance and Economics) as a lecturer from July 1991 to December 1994. Ms. Han has taught at the Business School of Jilin University as a lecturer, associate professor and master tutor since January 1995, a professor since August 2006 and a doctoral tutor since January 2009 with research focus on auditing and internal control. Ms. Han obtained her qualification of Chinese Certified Public Accountant in April 1998 and is currently a non-practising member of the Chinese Institute of Certified Public Accountants. She served as a vice chairman of Jilin Auditing Society (吉林省審計學會) in October 2017 and was qualified as the senior member of Chinese Certified Public Accountant in December 2017. Ms. Han graduated from the Department of Economics of Jilin University with a bachelor's degree in national economic management in July 1985 and obtained a master's degree in national economic planning and management (accounting) from the Department of Economics of Jilin University in June 1988 and a doctorate degree in political economics from Jilin University in June 2005.

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Ms. Jin Xiaotong (金曉彤) has been the Bank's independent non-executive Director since August 2021. Ms. Jin has taught at the School of Business and Management of Jilin University (formerly Business School of Jilin University) as a lecturer and associate professor since January 1995 and as a professor and doctoral tutor of Business School of Jilin University since December 2005 with a teaching and researching focus on business administration and marketing. Ms. Jin was a visiting scholar at Brock University in Canada from September 2005 to September 2006. She became the chief expert leading key research subjects of Philosophy and Social Sciences under the Ministry of Education (教育部哲學社會科學重大課題攻關項目) in 2012 and was awarded the special allowance from the State Council in 2016. Ms. Jin was named as the "Leading Professor" (「領軍教授」) of Jilin University in 2020. Ms. Jin is currently a vice chairman of Chinese Higher Education Institution Marketing Association (中國高等院校市場學會), a vice chairman of Jilin Commodity Circulation Society (吉林省商品流通學會), a member of the Marketing Committee of Chinese Management Society (中國管理學會市場營銷專業委員會), an expert for final review of visiting scholars project of Chinese Studying Abroad Scholarship Committee (國家留學基金委) (including scholarship program for post-doctoral/high-level post-graduate), an anonymous review expert for Chinese post-doctoral project and special scholarship project, and participates in the planning of "14th Five-Year Plan" of the development of social science of Jilin as a management discipline expert. Ms. Jin graduated from Changchun University with a bachelor's degree in industrial economics in July 1986 and obtained a master's degree in national economic planning and management from Jilin University in December 1991 and a doctorate degree in political economics from Jilin University in July 2003.

Mr. Sun Jiafu (孫甲夫) has been the Bank's independent non-executive Director since August 2021. Mr. Sun successively served as a lawyer, director and senior partner of Jilin Jida Law Firm (吉林吉大律師事務所) from July 2001 to May 2019. Mr. Sun was a senior partner of Jilin Chuangyi Law Firm (吉林創一律師事務所) from May 2019 to August 2022. Mr. Sun was a director of Jilin You Tong Law Firm (吉林攸同律師事務所) since August 2022 and a senior partner of Jilin You Tong Law Firm (吉林攸同律師事務所) since January 2024, respectively. Mr. Sun is currently a standing director of Commercial Law Research Association of Jilin Law Society (吉林省法學會商法學研究會), a deputy director of the Criminal Compliance Law Research Center of Jilin University Law School, a deputy director of the Corporate Law Committee of Changchun Lawyers Association (長春市律師協會), a deputy director of the Corporate Compliance Professional Committee of Jilin Lawyers Association (吉林省律師協會) and a vice chairman (the chairman of legal committee) of Jilin Commercial Association (吉商聯合會). Mr. Sun graduated from Jilin University with a bachelor's degree in June 2001, majoring in law. Mr. Sun obtained his qualification as an independent director from the Shanghai Stock Exchange in November 2018.

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(II) Biographies of Supervisors

Mr. Luo Hui (羅輝) has been the chairman of the Board of Supervisors and an employee Supervisor of the Bank since December 2008. Mr. Luo was the head of Tongtai Credit Cooperative of Dehui Union from July 1999 to April 2003, division head of the financial division of Dehui Union from April 2003 to January 2006 and deputy head of Yushu Union from January 2006 to November 2008. Mr. Luo graduated from a correspondence course at Changchun Finance College in July 2001, majoring in finance and completed his postgraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in July 2007. In addition, Mr. Luo obtained an intermediate economist qualification from Office of Personnel of Jilin Province in November 2003 and is a mid-level accountant jointly accredited by Jilin Accounting Professional Examination Office and Jilin Province Human Resources and Social Security Bureau in October 2012.

Mr. Wang Enjiu (王恩久) has been the Bank's employee Supervisor since December 2008. Mr. Wang joined the Bank's predecessor in December 1988 and worked as a bookkeeper and accountant at Jiutai Chunyang Credit Cooperative and Jiutai Erdaogou Credit Cooperative from December 1988 to August 1993; and he was an audit officer of the Jiutai Rural Credit Cooperative Union from August 1993 to January 1996. He was appointed as deputy head of Jiutai Xinglong Credit Cooperative in January 1996 and head of Jiutai Erdaogou Credit Cooperative from February 2000 to March 2006. Mr. Wang was the manager of the human resources department of Jiutai Rural Credit Cooperative Union from March 2006 to December 2008, general manager of the human resources department of the Bank from April 2009 to February 2011, vice president of Da'an Huimin Village and Township Bank from February 2011 to November 2011, chairman of the board of supervisors of Anci District Huimin Village and Township Bank from November 2011 to December 2013, and has been the chairman of Anping Huimin Village and Township Bank from December 2013 to August 2019. Mr. Wang served as the vice general manager of the village and township bank management department of the Bank since October 2019. Mr. Wang graduated from a part-time course at Central Radio and Television University (currently known as Open University of China) in April 2004, majoring in finance and financial direction and from a correspondence course at Jilin University of Finance and Economics in July 2011, majoring in finance. He is also a mid-level economist accredited by Jilin Professional Examination Office in November 2003.

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Mr. Liu Xiangjun (劉向軍) has been the Bank's employee Supervisor since December 2015. Mr. Liu was a teacher at Dehui No. 20 Middle School from August 2000 to November 2002. He served in Songhuajiang Credit Cooperative in Dehui Union from November 2002 to April 2003, the Party Committee Office of Dehui Union from May 2003 to December 2003, and the Office of Nong'an Union from February 2004 to February 2011. He was a staff member seconded to the Department of Party Work of Jilin Province Rural Credit Cooperative Union from March 2011 to April 2013. He joined the Bank in May 2013 and was a staff member of the Education and Training Department of the Bank until December 2013. Mr. Liu has been an administrator of the website of the Bank since January 2014 and a staff member of the Office of the Board of Supervisors of the Bank since January 2015 to March 2023. He served as deputy director of the Changchun Branch Office from March 2023. Mr. Liu graduated from Changchun University in July 2000, majoring in education in Chinese literature, and completed the self-study examination in Chinese language and literature at Northeast Normal University in December 2000.

Ms. Dai Yundi (戴昀弟) has been the Bank's non-employee Supervisor since June 2021. Ms. Dai is currently a professor and deputy dean of the School of Management of Changchun University of Finance and Economics (長春財經學院). Ms. Dai was a teacher of the Department of Economics and Management of Jilin Agricultural Science and Technology College (吉林農業科技學院) from July 1987 to March 1991, and a teacher and teaching assistant of the School of Food Engineering of Jilin Agricultural University (吉林農業大學) from April 1991 to February 1997. She served as a general manager of Jilin Agricultural University Food Technology Development Company (吉林農業大學食品科技開發公司) from March 1997 to September 2004 and an associate professor of the School of Economics and Management of Jilin Agricultural University from October 2004 to December 2007, a professor of the School of Economics and Management of Jilin Agricultural University from January 2008 to December 2012 and a professor of the School of Management of Changchun University of Finance and Economics from March 2013 to December 2019. She has served as a professor and deputy dean of the School of Management of Changchun University of Finance and Economics since January 2020. Ms. Dai is currently the vice chairman of the Jilin Logistics and Supply Chain Society (吉林省物流與供應鏈學會), a director of the Jilin Finance Society (吉林省財政學會), the head of the first-class undergraduate courses in Jilin (吉林省一流本科專業), and the evaluation expert of degree of the Ministry of Education. Ms. Dai is qualified as an assessment expert of the Strategic Planning Department of the Science and Technology Agency of Jilin Province (吉林省科技廳戰略規劃處), and a senior assessor of the professional qualifications of logistician and courier in Jilin Province. Ms. Dai graduated from Jilin Agricultural University in July 1987 with a bachelor's degree, majoring in agricultural and animal husbandry economics and management, and graduated from Northeast Normal University in June 2003 with a MBA, majoring in business administration, and graduated from Jilin Agricultural University with a doctorate degree in agricultural economic management in June 2014.

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Ms. Hu Guohuan (胡國環) has been the Bank's non-employee Supervisor since June 2021. Ms. Hu served as a teacher in the Economic Management Department of Jilin Agricultural Reclamation Specialty College (吉林農墾特產專科學校) from July 1987 to August 1988. She was a teacher in the cadre secondary professional school of Jilin Agricultural Bank (吉林省農業銀行幹部中等專業學校) from August 1988 to June 2007 and worked for Jilin Agricultural Bank from June 2007 to July 2018 and retired since July 2018. Ms. Hu graduated from Jilin Agricultural University with a bachelor's degree in agricultural economic management in July 1987.

Mr. Liu Jianxin (劉建新) has been the Bank's non-employee Supervisor since June 2021. Mr. Liu is currently the head of quality control of Tianjin branch of Daxin Certified Public Accountants (Special General Partnership) (大信會計師事務所(特殊普通合夥)天津分所). Mr. Liu served as an accountant in charge of the financial department of Tianjin International Trust and Investment Company (天津市國際信託投資公司) from September 1993 to August 2001, the project manager and department deputy manager of the Tianjin branch of RSM China Certified Public Accountants (Special General Partnership) (中瑞岳華會計師事務所(特殊普通合夥)天津分所) from August 2001 to December 2011 and the senior manager and department manager of the Tianjin branch of ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)天津分所) from January 2012 to September 2019, and has been the person in charge of quality control of the Tianjin branch of WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) since October 2019. Mr. Liu obtained his qualification of accountants with an approval of Ministry of Personnel of the People's Republic of China in May 1997 and obtained the qualification of a Chinese certified public accountant with the approval of the Tianjin Institute of Certified Public Accountants in November 2001. Mr. Liu graduated from Xidian University with a bachelor's degree in industrial management engineering in July 1993.

Mr. Dong Shuaibing (董帥兵) has been the Bank's non-employee Supervisor since June 2021. Mr. Dong is currently a full-time lawyer of Shengyuan Law Firm (升圓律師事務所). Mr. Dong was a staff member of the Jiutai Justice Bureau (九台市司法局) from March 1992 to July 1995 and the division-chief judge of the Jiutai People's Court (九台市人民法院) from March 1995 to August 2009. He served as a senior partner of Jilin Jindian Law Firm (吉林今典律師事務所) from August 2009 to April 2014, a senior partner of Jilin Yili Law Firm (吉林義理律師事務所) from April 2014 to January 2018, a senior partner of Jilin Weiyue Law Firm (吉林維岳律師事務所) from January 2018 to December 2020, and a director of Hainan Hengyou Law Firm (海南衡佑律師事務所) from December 2020 to June 2023, a full-time lawyer of Jilin Xianghe Law Firm (吉林享和律師事務所) from June 2023 to October 2023. Mr. Dong was transferred to Shengyuan Law Firm (升圓律師事務所) as a full-time lawyer in October 2023. Mr. Dong graduated from Changchun University in July 1992, majoring in politics, and graduated from Jilin University with a bachelor's degree in economic law in December 2000.

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(III) Biographies of Senior Management Members

Mr. Chen Xinzhe (陳新哲) has been the Bank's President since June 2021. Prior to joining the Bank, Mr. Chen held a number of positions at several branches of at the Bank of China, including credit approval clerk and manager of corporate department of Jilin Branch of the Bank of China from July 1991 to January 2003, manager of corporate department of Changchun Xinmin Street Sub-branch of the Bank of China from January 2003 to September 2004, the vice president of Changchun Development Zone Sub-branch of the Bank of China from September 2004 to March 2009, the president of Changchun Jinyu Sub-branch of the Bank of China from March 2009 to May 2011, and secretary of the party committee and president of Siping Branch of the Bank of China from May 2011 to August 2014. Mr. Chen joined the Bank in August 2014 as the deputy general manager of the extraterritorial branches management department. He was the chairman of the board of Jilin Chuncheng Rural Commercial Bank from September 2015 to July 2019, the marketing director of Changchun Branch of the Bank since February 2018, the vice president of the Bank from July 2019 to June 2021 and has been the deputy secretary of the Party Committee of the Bank since April 2021. Mr. Chen graduated from Changchun Finance College in July 1991, majoring in finance, and completed his undergraduate and post graduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in June 1999 and July 2005, respectively, and his postgraduate studies in business management at Northeast Normal University in September 2008. He obtained a Master of Business Administration majoring in business administration from Asia International Open University (Macau) in December 2008, and is a mid-level economist accredited by Ministry of Personnel of the PRC in November 1998.

Mr. Yuan Chunyu (袁春雨) has been the Bank's secretary to the Board of Directors since December 2012 and the Bank's Vice President since October 2021. For Mr. Yuan's biography, please refer to "III. Biographies of Directors, Supervisors and Senior Management Members – (I) Biographies of Directors – Executive Directors" of this chapter.

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Ms. Sun Haijuan (孫海娟) has been the Vice President of the Bank since September 2023. Before joining the Bank, Ms. Sun served as a credit officer at Changchun Beiguo City Credit Cooperative from July 1994 to August 1996; the head of the credit department of Beiguo City Credit Cooperative and an employee of Changchun Special Asset Management Center from August 1996 to July 2001; the vice president of Guangfu Road Sub-branch of Changchun Commercial Bank from July 2001 to April 2003; the vice president of Shaanxi Road Sub-branch of Changchun Commercial Bank from April 2003 to February 2006; the vice President of the Economic Development Zone Sub-branch of Changchun Commercial Bank from February 2006 to October 2007; the vice president (institutional change) of Changchun Economic Development Zone Sub-branch of the Bank of Jilin from October 2007 to December 2008; the senior credit manager of the credit review center of the Bank of Jilin from December 2008 to March 2010; the assistant to the president of Changchun Yatai Street Sub-branch of the Bank of Jilin from March 2010 to November 2010; the deputy general manager of the small enterprise financial service center of the Bank of Jilin from November 2010 to January 2015; the deputy general manager (in charge) of the credit review department of the Bank of Jilin from January 2015 to February 2016; the general manager of the credit review department of the Bank of Jilin from February 2016 to March 2019; and the general manager of the credit and investment review department of the Bank of Jilin from March 2019 to December 2019. Ms. Sun worked for other appointment from December 2019 to February 2020, and served as the general manager of the personal credit department of the Head Office of the Bank of Jilin from February 2020 to November 2022 and the general manager of the retail credit department of the Head Office of the Bank of Jilin from November 2022 to June 2023. Ms. Sun graduated from Jilin University with a bachelor's degree in law in December 2000, and obtained the intermediate economist qualification from the Office of Personnel of Jilin Province on 3 November 2002 and the intermediate accountant qualification from the Office of Vocational Examination of Jilin Province on 7 September 2003.

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Mr. Cong Jingtai (丛景泰) joined the Bank in October 2023. Before joining the Bank, he served as an officer of the accounting department at Chuncheng Sub-branch of Changchun Branch of China Construction Bank from July 1996 to July 1997; a general teller and the director of the Savings Office of Changchun Branch of China Construction Bank from July 1997 to January 2000; the deputy director of the comprehensive management department of Changchun Chuncheng Sub-branch of China Construction Bank from January 2000 to December 2000; the deputy chief officer of the credit operation department of the business department of Jilin Branch of China Construction Bank from December 2000 to August 2003; the deputy business manager of the corporate business department of Jilin Branch of China Construction Bank from August 2003 to November 2005; a full-time credit approver (professional technical grade five) in the credit approval department of Jilin Branch of China Construction Bank from November 2005 to July 2006; the risk manager (professional technical grade five) in the risk management department of Jilin Branch of China Construction Bank from July 2006 to June 2007; the senior risk manager (professional technical grade four) at the project evaluation center of the risk management department of Jilin Branch of China Construction Bank from June 2007 to October 2008; the deputy general manager of the risk management department and deputy director of the project evaluation center of Jilin Branch of China Construction Bank from October 2008 to April 2011; the deputy general manager of the investment banking department of Jilin Branch of China Construction Bank from April 2011 to September 2014; the general manager of Changchun large and medium sized enterprise operation center in the corporate business department of Jilin Branch of China Construction Bank from September 2014 to December 2015; the deputy general manager of the investment banking business department of Jilin Branch of China Construction Bank from December 2015 to January 2016; the deputy general manager (in charge) of the investment banking business department of Jilin Branch of China Construction Bank from January 2016 to December 2016; the general manager of the investment banking business department of Jilin Branch of China Construction Bank from December 2016 to December 2018; the president and Party secretary of Changchun High tech Industrial Development Zone Sub-branch of China Construction Bank from December 2018 to April 2023; and the general manager of the risk management department (credit management department) and general manager of the loan center of Jilin Branch of China Construction Bank from April 2023 to October 2023. Mr. Cong graduated from Jilin University with a bachelor's degree in economics and management in July 1996, obtained a master's degree in business administration for senior managers from Jilin University in June 2013. In April 2021, he was recognized as possessing the corresponding senior professional and technical qualification by the human resources department of Jilin Branch of China Construction Bank.

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Mr. Qin Lei (秦磊) has been the assistant to the President of the Bank since August 2022. Mr. Qin worked at the Yushu Rural Credit Cooperative Union from June 2007 to March 2012, held various positions including teller, assistant director of the credit cooperative, and deputy director of the credit cooperative's field service. Mr. Qin joined the Bank in March 2012 and served as the vice president of Gaoxin Sub-branch from August 2012 to December 2016; the deputy director of the business department of Changchun Branch from December 2016 to November 2017; the responsible person of Tongzhi Street Sub-branch from November 2017 to June 2019; and the president of Tongzhi Street Sub-branch from June 2019 to December 2019. Mr. Qin had been a member of the Party Committee and vice president of Tonghua Rural Commercial Bank Co., Ltd. from December 2019 to November 2021; Mr. Qin has been the deputy general manager of the Bank's Business Department since November 2021. Mr. Qin graduated from Changchun Taxation College (currently known as Jilin University of Finance and Economics) by correspondence in June 2009, majoring in business administration, and completed his postgraduate study in social security of Changchun University of Technology and obtained a master's degree in management in June 2018.

Ms. Ding Wei (丁巍) has been served as the assistant to the president of the Bank since October 2023. Before joining the Bank, Ms. Ding served as a savings officer at Xiangtan Sub-branch of Jilin Branch of Industrial and Commercial Bank of China from December 1999 to June 2000; an accountant of the accounting department of Jihua Sub-branch of Jilin Branch of Industrial and Commercial Bank of China from June 2000 to March 2001; an officer of the credit section of Jihua Sub-branch of Jilin Branch of Industrial and Commercial Bank of China from March 2001 to February 2002; a legal advisor of the legal affairs department of Jilin Branch of Industrial and Commercial Bank of China from February 2002 to October 2004; a clerk of the legal affairs department of Siping Branch of Industrial and Commercial Bank of China from October 2004 to July 2009; the director of Nanhe Savings Office of Siping Branch of Industrial and Commercial Bank of China from July 2009 to November 2009; the deputy manager of the corporate institutional business department of Siping Branch of Industrial and Commercial Bank of China from November 2009 to June 2014; the deputy director of the labor union office of Siping Branch of Industrial and Commercial Bank of China from June 2014 to September 2017; the deputy general manager (in charge) and general manager of the internal control and compliance department of Siping Branch of Industrial and Commercial Bank of China from September 2017 to September 2019; the president of Zhanqian Sub-branch of Siping Branch of Industrial and Commercial Bank of China from September 2019 to June 2020; as assistant to the president of Siping Branch of Industrial and Commercial Bank of China from July 2020 to February 2021; a member of the Party Committee and vice president of Siping Branch of the Bank of Jilin from March 2021 to August 2023; and the general manager of the corporate finance department of the Bank since August 2023. Ms. Ding graduated from Northeast Normal University with a bachelor's degree in law in June 1999.

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(IV) Biographies of Joint Company Secretaries

Mr. Yuan Chunyu (袁春雨) has been the Bank's secretary to the Board of Directors since December 2012 and the Bank's joint company secretary since December 2015. For Mr. Yuan's biography, please refer to "III. Biographies of Directors, Supervisors and Senior Management Members — (I) Biographies of Directors — Executive Directors" of this chapter. As Mr. Yuan does not possess the qualifications as stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, the Bank has applied for and has been granted a waiver by the Hong Kong Stock Exchange from strict compliance with those Hong Kong Listing Rules.

Mr. Lau Kwok Yin (劉國賢) has been the joint company secretary of the Bank since May 2018. Mr. Lau is the vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He has over 10 years' experience in corporate secretarial services, finance and banking operations. He holds a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charterholder and a fellow of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.

IV. Remuneration Policies for Directors, Supervisors and Senior Management Members and Employees

Under the guidance of the relevant policies of the PRC, the Bank continues to improve the performance-based remuneration system for Directors, Supervisors, senior management members and employees. The Board is responsible for the Bank's remuneration management system and design of policies. The Remuneration Committee under the Board is responsible for the formulation of remuneration policies and systems, and is responsible for evaluating the performance of senior management and overseeing the implementation of the compensation system. The remuneration at each level of the Bank is linked to the operating performance and risk control assessment results, and the Board issues an operating target plan to the management every year. By setting the operating targets, the Board conveys the Board's strategic development guidance and risk appetite to the management to ensure sound development and stable operation. The management decomposes and implements the management targets to the business departments and branches, and links the remuneration to the management targets, and pays the remuneration according to the assessment results after level-by-level assessment.

The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketisation, monetisation and standardisation of the income allocation of the Group's senior management.

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The Bank offers its executive Directors, employee representative Supervisors and senior management members, who are also the Bank's employees, compensation in the form of salaries, bonuses, social insurances, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors receive compensation based on their responsibilities.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank implements the management of deferred performance pay for senior management and employees in positions that have significant risk impact. The proportion of deferred payment of remuneration for senior management is 50% of the performance remuneration in the year, and the proportion of deferred payment of performance remuneration for other employees is 40% of the performance remuneration in the year. The period of deferred payment of performance remuneration is generally three years. The deferred performance compensation is paid in 3-year installments in the ratio of 3:3:4 from the following year onwards. During the Reporting Period, there was no withholding for any reason.

V. Compensation of Directors and Supervisors and Five Individuals with the Highest Emoluments in the Bank

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in the Bank, please refer to "Notes 12 and 13 to the Consolidated Financial Statement" of this annual report.

VI. Other Information Required under Rule 13.51(2) of the Hong Kong Listing Rules

Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a limited liability company incorporated in the PRC on 25 April 2006, which was mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on 2 September 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

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VII. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As of 31 December 2023, the Group had 6,687 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	2,947	44.07
Management	744	11.13
Finance and accounting	797	11.92
Corporate banking	1,155	17.27
Risk management, internal audit and legal and compliance	272	4.07
Treasury operations	58	0.87
Information technology	67	1.00
Others	647	9.68
Total	6,687	100.00

As of 31 December 2023, more than 60% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of 31 December 2023, the Group also had 189 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, which then pay salaries to and make social security contributions for contract staff.



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(II) Employee Remuneration

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees of the Group typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity funds. In addition, the Group provides supplementary medical insurance to its employees.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

(III) Employee Training Program

The Group focuses on employee career development and provide training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a training center to enhance employee professional skills. The Bank emphasizes internal employee training. Through internal selection in various ways, the Bank trains outstanding management personnel and provides employees with opportunities to enhance professional knowledge and develop professional skills.

(IV) Labor Union

The Bank and each subsidiary have a labor union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary have maintained a good working relationship with its employees. As of the Latest Practicable Date, none of the Bank nor any of the Group's subsidiaries had experienced any labor strikes or other labor disturbances that materially affected the Group's operations or public image.

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VIII. SUBSIDIARIES

Subsidiary	Place of business	Remark
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	Block 2, Zone C, Jinxiu Hua Cheng, North Baochanshan Road, Huanfeng Town, Hanshan County, Anhui Province, PRC	5 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Juanshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	No. 1567, Kangcheng Street East, Chaoyang Street, Gaomi Town, Weifang City, Shandong Province, PRC	8 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun' an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lujiang Huimin Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da' an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	4 sub-branches
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	Building 4, Zijingyuan Commercial Building, 101 Nanlong Road, Anci District, Langfang City	3 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	Unit 101, Block 10, Unit 201, Block 10 and Unit 201, Block 12, Kehui 4th Street, Huangpu District, Guangzhou, PRC	3 sub-branches

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Subsidiary	Place of business	Remark
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North of East Section, Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	4 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	316 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	10 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	4 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	102#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	West of Min'an Road and North of Gucheng South Street, Wen'an County, Langfang City, Hebei Province, PRC	8 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	Headquarters business building, the side of Jincheng Avenue (Daling village), Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	4 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan Neighborhood, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	5 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shops 4, 5 and 6, District A, Zuanshi Siji Huacheng)	4 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Jilin Province, PRC	4 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	3 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	12 sub-branches
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Outlets Nos. 1, 3, 4, 116 Guangze Amethyst City, 8 Huangqi Road, Chuanying District, Jilin City, Jilin Province, PRC	5 sub-branches

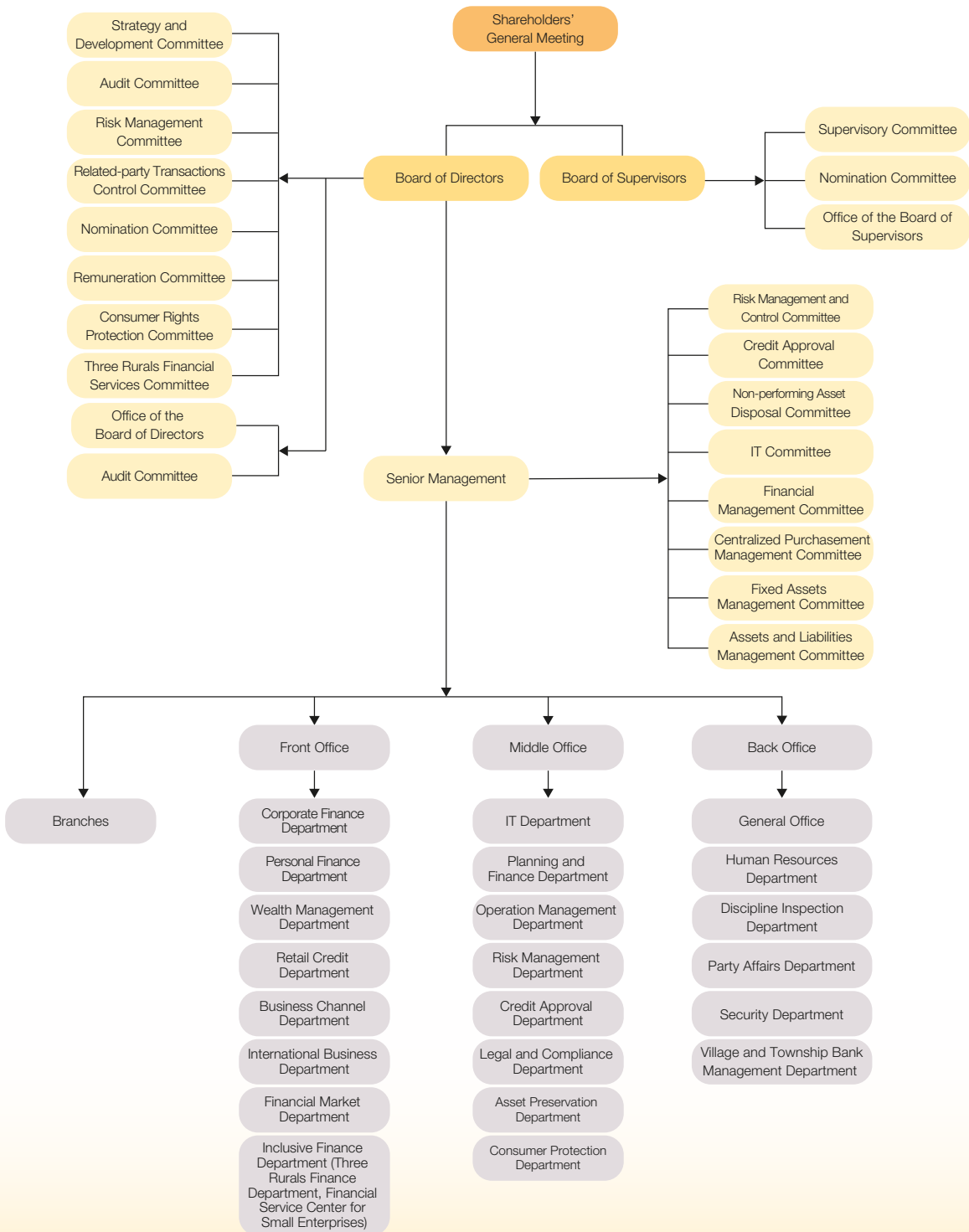
Chapter 8 Directors, Supervisors, Senior Management, Employees and Organisations

Subsidiary	Place of business	Remark
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	021 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	5 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	No. 102, Erheng Road, Binhe South, Lingshui County, Hainan Province, PRC	2 sub-branches
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	
Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	5 sub-branches
Jiutai Longjia Village Bank Co., Ltd. (九台龍嘉村鎮銀行股份有限公司)	Block 4, Sunshine Garden, Intersection of Shuguang Street and Qianjin Road, Jiutai City, Jilin Province, PRC	4 sub-branches
Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司)	5-7/F, Block 2, Changchun Zhengda Lifang Tower (長春證大立方大廈), Jingyue High-tech Industrial Development Zone, Changchun City, Jilin Province, PRC	

Chapter 9 Corporate Governance Report

I. Corporate Governance Structure

The following chart sets forth the Bank's principal organisational and management structure as of the Latest Practicable Date:



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II. Corporate Governance

Overview

The Bank believes that maintaining high standards of corporate governance mechanisms and high-quality corporate governance is one of the key factors to improve its core competitiveness and to build a modern rural commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the corporate value.

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as internal management structure. The Board of Directors has established committees to perform specified functions, namely the Strategy and Development Committee, the Related-party Transactions Control Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee, the Audit Committee, the Consumer Rights Protection Committee and the Three Rurals Financial Services Committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Bank's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code (the "Corporate Governance Code") as set out in Part II of Appendix C1 to the Hong Kong Listing Rules (original Appendix 14 to the Hong Kong Listing Rules) and the Corporate Governance Guidelines for Banking and Insurance Institutions (the "Guidelines") issued by the former CBIRC into the Bank's governance structure and policies. The Code of Corporate Governance and the Guidelines are well reflected in the Articles of Association and the rules of procedure for the Shareholders' general meeting, meetings the Board of Directors and the committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

During the Reporting Period, the Bank has fully complied with all applicable provisions contained in the Code of Corporate Governance. The Directors were not aware of any information that indicated the non-compliance with the code provisions as set out in the Code of Corporate Governance by the Bank. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

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The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Code of Corporate Governance and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

The Bank has also formulated a corporate culture concept system that is consistent with its strategic vision and development goals, and has been vigorously promoting the “striving” culture of hard work and aggressiveness, the “service” culture of pursuing excellence, the “compliance” culture of steadfastness, and the “integrity” culture of honesty and morality. The Bank has fully explored the connotation and extension of its corporate culture through various means such as publicity and guidance, typical leadership, and integrated it into all aspects of the Bank’s operation and management, so as to ensure that the corporate culture has been put into the minds and actions. The Bank has formed the common value pursuit of all bank employees, created a culture of unity and struggle, positive and upward, and provided strong support for high-quality development. For the details of the development strategy and business model for the realization of the development objectives, please refer to the sections headed “Chairman’s Statement” and “President’s Statement” and Chapter 4 “Management Discussion and Analysis” of this report.

The Director Nomination Policy and the Board Diversity Policy

The Bank understands and believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development and its strategies and maintain good corporate governance. In respect of appointing the Directors, the Bank will consider their qualifications, skills and experience, and also the diversity of the members in various aspects, including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service term and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board of Directors.

The Nomination Committee of the Board is responsible for reviewing the structure, number of members, and composition (including the skills, knowledge and experience) of the Board of Directors. The Nomination Committee makes recommendations to the Board of Directors relating to the size and composition of the Board of Directors based on the Bank’s strategic plans, business operations, asset scale and shareholding structure. The Nomination Committee also discusses and reviews the selection standard, the nomination and appointment process, and makes recommendations to the Board of Directors.

The Board Diversity Policy shall be complied with when the Nomination Committee makes recommendations on the candidates. The Nomination Committee is responsible for monitoring the implementation of the diversity policy and reviewing the policy regularly to ensure its effectiveness. The Nomination Committee will discuss any amendments to the diversity policy and make recommendations to the Board of Directors for approval.

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To ensure the effective implementation of the Board diversity policy, the following measurable objectives have been established: The Board shall ensure that there is no gender limitation in selecting Directors; At least one third, and no less than three in total, of the Board members are independent non-executive Directors; Board members shall possess knowledge and skills in different areas; and At least one Board member is a professional in finance or accounting. As at the end of the Reporting Period, these measurable targets have been met.

Members of the fifth session of the Board have extensive experience in legal compliance, financial reporting and auditing, strategic management and risk prevention and control, innovative financing and three rural financial services. As of the Latest Practicable Date, the diversified composition of members of the fifth session of the Board is as follows:

Gender			Age		
Male	Female		50 (inclusive) to 60 (inclusive)	Above 60	
9 persons	4 persons	Below 50	6 persons	4 persons	

Position			Tenure		
Executive Directors	Non-executive Directors	Independent non-executive Directors	Up to 5 years	6-10 years	More than 10 years
3 persons	5 persons	5 persons	9 persons	2 persons	2 persons

The Nomination Committee of the Board and the Board consider that the Board members have generally achieved diversity in different aspects. The Board values the importance and benefits of gender diversity at the Board level. Currently, among the 13 Directors in the Board of the Bank, there are 4 female Directors. The Board believes that the current composition of the Board complies with the Hong Kong Listing Rules regarding gender diversity among Board members and the Bank's Board diversity policy. The Bank's Board diversity policy could make sure that there will be potential successors on the Board to extend the existing gender diversity of the Board.

For details of the gender diversity of employees of the Bank, please refer to the "Environmental, Social and Governance Report" in this annual report.

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III. General Meeting

During the Reporting Period, the Bank convened a total of two Shareholders' general meetings, the details of which are set out as follows:

Annual General Meeting for 2022

The annual general meeting of the Bank for 2022 was convened on 16 June 2023, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions

1. to consider and approve the work report of the Board of Directors of the Bank for 2022;
2. to consider and approve the work report of the Board of Supervisors of the Bank for 2022;
3. to consider and approve the annual report of the Bank for 2022;
4. to consider and approve the final financial report of the Bank for 2022;
5. to consider and approve the profit distribution proposal of the Bank for 2022;
6. to consider and approve the annual financial budget of the Bank for 2023;
7. to consider and approve the engagement of external auditing firms of the Bank for 2023;
8. to consider and approve the determination of the principal auditors for 2023;
9. to consider and approve the outlets optimization plan of 2023;
10. to consider and approve the appointment of Mr. Guo Ce as an executive Director of the fifth session of the Board;

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11. to consider and approve the amendments to the Administrative Measures for Connected Transactions.

Special resolutions

12. to consider and approve the amendments to the Articles of Association;
13. to consider and approve the amendments to the Rules of Procedures for Shareholders' General Meetings;
14. to consider and approve the amendments to the Rules of Procedures for Board Meetings;
15. to consider and approve the amendments to the Rules of Procedures for the Board of Supervisors.

First Extraordinary General Meeting of 2023

The first Extraordinary General Meeting of the Bank of 2023 was held on 30 November 2023, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions:

1. to consider and approve the change of external auditing firms of the Bank for 2023;
2. to consider and approve the change of the principal auditors of the Bank for 2023.

IV. Board of Directors

The Board of Directors emphasizes similarity in both externality and internality in system establishment and practical operation, making the Board's decision more scientific and reasonable through the establishment of a diversified Board structure, improving the Board's efficiency through the operation of various committees. Constantly strengthening balanced, sound and sustainable development concept, the Board of Directors ensures the rapid, sustainable and sound development of the Bank through effective management of the strategies, risks, capital, compensation and audit.

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(I) Composition of the Board of Directors

As of the Latest Practicable Date, the fifth session of the Board consisted of 13 members, including:

- Mr. Guo Ce (chairman)
- Mr. Liang Xiangmin (vice chairman, executive Director)
- Mr. Yuan Chunyu (executive Director, vice president, secretary to the Board and joint company secretary)
- Mr. Cui Qiang (non-executive Director)
- Mr. Zhang Yusheng (non-executive Director)
- Mr. Wu Shujun (non-executive Director)
- Mr. Zhang Lixin (non-executive Director)
- Ms. Wang Ying (non-executive Director)
- Ms. Zhang Qihua (independent non-executive Director)
- Mr. Fong Wai Kuk Dennis (independent non-executive Director)
- Ms. Han Lirong (independent non-executive Director)
- Ms. Jin Xiaotong (independent non-executive Director)
- Mr. Sun Jiafu (independent non-executive Director)

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The number of Directors and the composition of the Board of Directors are in compliance with applicable laws and regulations. The decision making, authorization and voting procedures strictly follow the relevant rules and regulations of regulatory authorities and the Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, carefully reviewed all matters that were significant to the Bank's future development, improved the Board operation mechanism, strengthened the corporate governance framework, implemented organisational changes, facilitated prudent decision making, ensured operational stability and protected the interests of the Bank and its Shareholders.

(II) Appointment, re-election and removal of Directors

According to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. The term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of their term of office. Subject to the relevant laws and administrative regulations, the Shareholders may remove the non-independent Director whose term of office has not expired by ordinary resolution, and may remove the independent Director whose term of office has not expired at a Shareholders' general meeting by special resolution, without prejudice to any claim which may be instituted under any contract.

The term of service of non-executive Directors and independent non-executive Directors shall be the same as that of other Directors and they may be re-elected and re-appointed upon the expiration of their terms of office, provided that such term of office of independent non-executive Directors shall not be more than six years on an accumulative basis.

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The Nomination Committee is responsible for discussing and reviewing the qualification and experience of each candidate for Director 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 Shareholders at a general meeting. As a banking institution regulated by the National Financial Regulatory Administration, the qualification of a candidate for the Bank's Directors shall also be approved by the National Financial Regulatory Administration.

(III) Relationships among Directors, Supervisors and senior management members

The Directors, Supervisors and senior management members of the Bank are not related to one another in respect of financial business, family or other material/relevant relationships.

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(IV) Changes of Directors

For changes of Directors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organisations – II. Changes in Directors, Supervisors and Senior Management Members” of this annual report.

(V) Operation of the Board of Directors

According to the Articles of Association, the Board of Directors shall convene at least four meetings per year and at least one meeting per quarter. The meetings of the Board of Directors are divided into regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the chairman and a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of extraordinary meeting of the Board of Directors shall be dispatched to the Directors five business days prior to the date of convening the meeting. In emergency circumstances where an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meetings (including video conference) of the Board of Directors generally conduct voting by way of a show of hands and voting by registered ballot.

Provided that sufficient protection is ensured for the expression of opinions by Directors, the Directors may pass resolutions at an extraordinary meeting of the Board of Directors by communication voting and the resolutions shall be signed by the participating Directors. The conditions and procedures of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors.

The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings and the participating Directors and the recorder of minutes shall sign on such minutes. Directors attending the meeting are entitled to request an explanation on record to be made in respect of their verbal comments in the meetings.

The relevant senior management members are invited to attend meetings of the Board of Directors from time to time to provide explanations and answer queries from the Directors. In the meetings of the Board of Directors, the Directors may express their opinions freely, and important decisions should be made after detailed discussions. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall abstain from the discussion of and voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that particular resolution.

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The Board of Directors has established an office as its operating arm, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of Board committees, information disclosure and other daily matters.

(VI) Powers of the Board of Directors

The Board of Directors exercises the following powers:

- (1) to convene general meetings and report its work to the general meetings;
- (2) to implement the resolutions approved by the Shareholders at general meetings;
- (3) to prepare the Bank's development strategies, business plans and investment plans, and to supervise the implementation of strategies;
- (4) to prepare the annual financial budgets and final accounts of the Bank;
- (5) to prepare the capital replenishment plan, risk capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;
- (6) to prepare plans for increase or reduction of the registered capital of the Bank;
- (7) to prepare plans for issue and listing of bonds or other securities of the Bank;
- (8) to prepare plans for material acquisitions of the Bank, acquisition of the Bank's Shares, merger, division, spin-off, dissolution or liquidation or alteration of corporate form of the Bank, and to prepare plans for repurchase of Shares of the Bank;
- (9) to prepare the capital planning of the Bank, and to assume ultimate responsibility for capital management;

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- (10) to approve the establishment of corporate bodies, material acquisitions, material external investments, material connected transactions, purchase of material assets, disposal of and write-off of material assets, material external guarantees, pledge of material assets, data governance, material external donations of the Bank in accordance with laws and regulations, regulatory provisions and the provisions of the Articles of Association, or within the scope authorized by the general meetings;
- (11) to decide on the establishment of internal management organisations and branch offices of the Bank as well as the reform plan for the operation and management affecting the system as a whole;
- (12) to decide to appoint or remove the president of the Bank and the secretary to the Board of Directors in accordance with regulatory requirements; based on the nomination by the president of the Bank, to decide to appoint or remove the deputy presidents and other senior management members who shall be appointed or removed by the Board of Directors according to regulatory requirements, such as the persons in charge of finance department, internal audit department and compliance department, to determine their remunerations and rewards and penalties, and to supervise senior management to perform their responsibilities;
- (13) to formulate risk management strategies and internal control policies of the Bank, to set risk preferences and tolerance, to assume ultimate responsibility for overall risk management, and to formulate the basic management system of the Bank (including but not limited to human resources, finance and remuneration);
- (14) to formulate amendment proposals to the Articles of Association, to formulate the rules of procedure for general meetings and the rules of procedure for meetings of the Board of Directors, and to consider and approve the working rules of the special committees of the Board of Directors and the relevant corporate governance system;
- (15) to formulate the information disclosure system of the Bank, to be responsible for information disclosure of the Bank, and to assume ultimate responsibility for the authenticity, accuracy, completeness and timeliness of accounting and financial reports;
- (16) to propose the appointment, removal or replacement of the accounting firm that performs regular statutory audits of the Bank's financial reports to the general meeting;

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- (17) to receive the work reports of the president and other senior management members of the Bank, to supervise their performance of duties and to ensure their effective performance of management responsibilities according to relevant regulatory requirements. To receive the regulatory opinions of the banking regulatory authority of the State Council on the Bank and the implementation of rectification and reform of the Bank;
- (18) to regularly evaluate and improve the corporate governance of the Bank;
- (19) to safeguard the legitimate rights and interests of financial consumers and other stakeholders;
- (20) to establish a mechanism for identifying, reviewing and managing conflicts of interest between the Bank and shareholders, especially substantial shareholders;
- (21) to assume the management responsibility of shareholder affairs;
- (22) other duties and powers as provided in the laws, regulations and regulatory requirements and the Articles of Association as well as conferred by the general meetings.

The Bank has formulated internal policies (including but not limited to the Articles of Association, the Rules of Procedures for Board Meetings and the Terms of Reference of the Nomination Committee of the Board) to ensure that the Board can obtain independent views and opinions. These policies cover the election procedures and standards for Directors (including independent non-executive Directors), the abstained from voting mechanism for related directors on related proposals put forward on the Board meeting, provide necessary working conditions for independent non-executive Directors (such as the cost of engagement of intermediaries and other expenses required for exercising their powers by independent non-executive Directors to be borne by the Bank). The Board, through reviewing the implementation of the above mechanisms, believes that they can effectively ensure that the Board obtains independent views and opinions.

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(VII) Responsibilities of Directors

During the Reporting Period, all the Directors are prudent, earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of the Bank's operation with laws, regulations and the requirements of national economic policies. The Directors have treated all the Shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, and performed other diligence obligations required by laws, administrative regulations, departmental rules and the Articles of Association.

The independent non-executive Directors make full use of their respective professional expertise to provide professional and independent advice on the corporate governance, operation and management of the Bank.

The Bank also 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 authorized by the relevant laws and regulatory requirements and the Articles of Association. The Bank has purchased the director liability insurance for all Directors.

(VIII) Responsibilities assumed by the Directors in the preparation of financial statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended 31 December 2023. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended 31 December 2023, the Directors have adopted appropriate accounting policies which have been applied consistently, and made prudent and reasonable judgments. The Directors were not aware of any material uncertainty or circumstances that might have significant effect on the going-concern ability of the Bank.

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(IX) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened 4 meetings of the Board of Directors. Attendance of Directors at the meetings of the Board of Directors, meetings of Board committees and general meetings of the Bank is set out in the table as follows:

Members of the Board of Directors	Number of meetings attended in person/attended by proxy/should be attended										
	Board of Directors	Strategy and Development Committee	Related-party Transactions			Risk Management Committee	Nomination Committee	Remuneration Committee	Consumer Rights Protection Committee	Three Rurals Financial Services Committee	General Meeting (actual attendance/ number of meetings)
			Audit Committee	Control Committee							
Mr. Guo Ce	1/0/1	1/0/1									1/1
Mr. Liang Xiangmin	4/0/4					4/0/4	4/0/4		2/0/2		2/2
Mr. Yuan Chunyu	4/0/4	3/0/3									2/2
Mr. Cui Qiang	4/0/4							1/0/1			2/2
Mr. Zhang Yusheng	4/0/4						4/0/4		2/0/2		2/2
Mr. Wu Shujun	3/0/4				3/0/4						1/2
Mr. Zhang Lixin	4/0/4		3/0/3		1/0/1					1/0/1	2/2
Ms. Wang Ying	4/0/4		1/0/1		3/0/3						2/2
Ms. Zhang Qiuhua	4/0/4					4/0/4	4/0/4	1/0/1		1/0/1	2/2
Ms. Han Lirong	4/0/4	3/0/3	4/0/4		4/0/4						2/2
Ms. Jin Xiaotong	4/0/4	3/0/3	4/0/4		4/0/4						2/2
Mr. Sun Jiafu	4/0/4				4/0/4		4/0/4	1/0/1	2/0/2		2/2
Mr. Fong Wai Kuk Dennis	4/0/4	3/0/3				4/0/4	4/0/4				2/2

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(X) Independent Non-executive Directors

The Board of Directors consists of five independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the National Financial Regulatory Administration, the China Securities Regulatory Commission and the Hong Kong Listing Rules. These five independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Directors the annual confirmation in respect of his/her independence. Therefore, the Bank confirms that all the independent non-executive Directors have complied with the provisions of the Hong Kong Listing Rules in respect of independence.

The independent non-executive Directors represent the majority of the Bank's Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. They also serve as the chairman of the Audit Committee, Related-party Transactions Control Committee, Nomination Committee and Remuneration Committee.

The independent non-executive Directors kept in touch with the Bank's management through various means such as attending meetings. They earnestly participated in meetings of the Board of Directors and the Board committees and actively provided their opinions and emphasized the interests of minority Shareholders of the Bank. The independent non-executive Directors have fully discharged their responsibilities.

(XI) Continuing professional development plan for Directors

All Directors have been provided with comprehensive relevant materials at the first time when they were nominated to ensure they have proper understanding of the operation and business of the Bank and fully understand the duties and responsibilities of Directors under the Hong Kong Listing Rules and the applicable laws and regulations.

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. The Bank will provide briefings on the latest development of the Hong Kong Listing Rules and other applicable regulatory requirements to the Directors from time to time to ensure that the Directors are aware of the latest regulatory development.

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During the Reporting Period, the Directors participated in the following training programs:

Training program for the Directors

No.	Training program	Participants
1	Highlights of Laws on Commercial Banks (商業銀行法規速遞)	All Directors
2	Regulatory Regulations and News Brief Presentation on the Capital Market of Hong Kong (香港資本市場監管法規和新聞簡報)	All Directors
3	Institutional Regulations and Normative Arrangements for the Corporate Governance Structure of Banks (銀行公司治理架構的制度性規定及規範性安排)	All Directors
4	Strategies for Improving the Quality and Efficiency of Corporate Governance Performance and Practices of Banks (銀行公司治理履職質效提升與實踐策略)	All Directors
5	Continuous Responsibilities of Listed Companies that Directors Need to Pay Attention To (董事需關注的上市公司持續責任)	All Directors
6	Requirements on Risk Management and Internal Control under the Corporate Governance Code (企業管治守則對風險管理及內部監控之要求)	All Directors
7	Attention to Notifiable Transactions (須予公佈的交易注意事項關注)	All Directors
8	Advanced Seminar: Analysis of Difficulties in Amendments to the Company Law and Trial Practices of Company Dispute Cases (高級研修班:公司法修訂疑難問題解析暨公司糾紛案件審判實務)	Ms. Zhang Qiuhua
	Academic Seminar: Strengthening the Rule of Law in Enterprises to Assist High Quality Development of Jilin Local Economy (學術研討會:加強企業法治建設助力吉林地方經濟高品質發展)	
	Seminar: Mediation and Arbitration of Labor Dispute (研討培訓班:勞動人事爭議調解仲裁)	
	Rule of Law Forum: Promoting Comprehensive Revitalization of Northeast China on the Track of Rule of Law (法治論壇:在法治軌道上推動東北全面振興)	
	Annual Conference of Law: Responding to the Challenges of Economic Law Development in the Digital Era (法學年會:因應數字時代經濟法發展挑戰)	
9	High-end Forum on Finance and Accounting: Digital Empowerment of Financial and Accounting Professional Construction (財會高端論壇:數字賦能財會專業建設)	Ms. Han Lirong
	Continuing Education for Non-practicing Members of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會非執業會員後續教育)	
	Talent Work Committee Meeting of Jilin Institute of Certified Public Accountants (吉林省註冊會計師協會人才工作委員會會議)	

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No.	Training program	Participants
10	<p>2023 CMAU Annual Conference and Doctoral Consortium (2023年度中國高等院校市場學研究會學術年會暨博士生論壇)</p> <p>2023 JMS China Marketing Science Academic Annual Conference and Doctoral Forum (2023年JMS中國營銷科學學術年會暨博士生論壇)</p> <p>The 8th Green Consumption and Green Marketing Symposium in 2023 (2023年(第八屆)綠色消費與綠色營銷專題研討會)</p> <p>2023 CMAU Teaching Annual Conference and Marketing Technology Development Forum (2023年度中國高等院校市場學研究會教學年會暨行銷科技發展論壇)</p>	Ms. Jin Xiaotong
11	<p>Series of Lectures on Equity and Capital held by the Corporate Law Professional Committee (公司法律專業委員會舉辦股權與資本系列主題講座)</p> <p>Seminar on Credit Rating Standards for Intermediaries (中介機構信用評價標準研討會)</p> <p>Enterprise Compliance Business Training Course (企業合規業務培訓班)</p> <p>Special Training: Corporate Governance, Equity Design and Corporate Compliance (專題培訓:公司治理、股權設計與企業合規)</p> <p>Seminar on Amendments to the Company Law 公司法修訂研討會</p>	Mr. Sun Jiafu
12	<p>Corporate Legal Practice (公司法律實務)</p> <p>Legal Issues Related to Labor Employment in Enterprises (企業勞動用工法律問題)</p> <p>Cross-border Mergers and Acquisitions and Capital Entry and Exit Management (跨境併購和資本出入境管理)</p> <p>Special Lecture on the Civil Code (《民法典》專題講座)</p> <p>Prevention and Response of Overseas Compliance Risks for Chinese Enterprises (中國企業海外合規風險防範與應對)</p> <p>Theory and Path of Modernization of Rule of Law in Chinese Style (中國式法治現代化的理論與路徑)</p>	Mr. Fong Wai Kuk Dennis

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(XII) Corporate governance functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period, the Board of Directors has performed the following duties:

- (1) developed and reviewed the Bank's policies and practices on corporate governance;
- (2) reviewed and monitored the training and continuing professional development of Directors and senior management;
- (3) reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;
- (4) developed, reviewed and monitored the code of conduct for Directors; and
- (5) reviewed the Bank's compliance with the Code of Corporate Governance and disclosure in the corporate governance report.

(XIII) Board Committees

The Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, the Articles of Association and the Hong Kong Listing Rules, the Bank has formed eight Board committees, namely the Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee, Consumer Rights Protection Committee and Three Rurals Financial Services Committee.

1. *Strategy and Development Committee*

As at the end of the Reporting Period, the Bank's Strategy and Development Committee consists of two executive Directors, namely Mr. Guo Ce and Mr. Yuan Chunyu, and three independent non-executive Directors, namely Mr. Fong Wai Kuk Dennis, Ms. Han Lirong and Ms. Jin Xiaotong. Mr. Guo Ce is the chairman of the committee.

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The principal responsibilities of the Strategy and Development Committee include but are not limited to:

- to formulate the business objectives and long-term development strategies;
- to supervise and review the execution of annual business plan and investment plan;
- to review regularly the capital management and capital plans and provide advices, particularly on any material investment proposals beneficial to share capital;
- to discuss the operations and risk management with senior management, assess the implementation of the corporate governance policies and provide advices to the Bank on their improvement;
- to research and formulate the development strategy for green finance of the Bank, and submit it to the Board of Directors for approval; to assist the Board of Directors in guiding the Bank to form the green finance concept of energy conservation, environmental protection, low-carbon and sustainable development; to approve the green finance goals formulated and green finance reports submitted by senior management, and to supervise and evaluate the implementation of the Bank's green finance development strategy.

During the Reporting Period, the Strategy and Development Committee held three meetings in total, a total of 16 resolutions including the Outline Development Plan of Key Task for 2023, the Village Bank Development Plan for 2023 and the Resolution on Amendments to the Articles of Association were considered and approved.

2. Audit Committee

As at the end of the Reporting Period, the Bank's Audit Committee consists of one non-executive Director, namely Mr. Zhang Lixin, and two independent non-executive Directors, namely Ms. Han Lirong and Ms. Jin Xiaotong. Ms. Han Lirong is the chairman of the committee, and has the appropriate professional qualifications in accounting or relevant financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules.

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The principal responsibilities of the Audit Committee include but are not limited to:

- to review the accounting policy, internal control policy, financial reporting procedure, compliance and risk management systems and financial condition;
- to consider major investigation findings on internal control matters and discuss the internal control system with senior management to ensure that management has performed its duty to establish an effective internal control system, covering topics such as capital adequacy ratio, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions;
- to review and ensure the accuracy and completeness of the financial statements and audit reports submitted to the Bank's Board of Directors for approval and disclosure to Shareholders and the general public;
- to advise on the appointment of external auditors, review the scope of engagement, remuneration and independence of external auditors;
- to review the letter of the external auditors to the management, any material inquiries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response and ensure that the Bank's Board of Directors provides a timely response to the issues raised in the letter of the external auditors to the management;
- to ensure coordination between any internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness; and
- to report to the Board of Directors on matters covered by the corporate governance code requirements in the Hong Kong Listing Rules.

During the Reporting Period, the Audit Committee held four meetings in total, a total of 49 resolutions, including the Final Financial Report for 2022, the Profit Distribution Proposal for 2022, the Financial Budget for 2023, the Resolutions regarding the Appointment of External Auditors for 2023 and the Resolutions regarding the Change of External Auditors for 2023 were considered and approved. The Audit Committee is of the view that the internal audit function of the Bank was effective during the Reporting Period.

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Overview of the annual audit work of the Bank:

Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited carried out the 2023 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited fully conducted an audit on internal control as required, and carried out internal control test at the Bank's level and business process level to evaluate the effectiveness of the internal control design and assess whether it has been consistently and effectively implemented during the audit. Through interviews, Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited understood the Bank's control environment, the main operation conditions, business innovation, system updates and fraud risk. Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited conducted a preliminary analysis and audit on major items of financial statements, such as financial instruments, operating income, investment income and other items. Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited also tested and evaluated the main information system used by the Bank and discussed promptly the findings of preliminary audit with the Bank's management. In the year-end audit stage, Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited followed up the findings of the preliminary audit stage and conducted detailed audit procedures for all major items, and communicated the findings of year-end audit with the Bank's management.

In order to successfully complete the audit work in 2023 and issue relevant audit reports as scheduled, the Audit Committee of the Board of Directors of the Bank arranged the finance department of the Bank to discuss with Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the audit report, etc. During the audit period, the Audit Committee made multiple rounds of supervision. Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited issued the standard unqualified audit report to the Bank within the scheduled time.

The Audit Committee reviewed the independence and objectivity of Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited and the effectiveness of their audit procedures to ensure that the financial reports issued give a true and fair view. Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited have taken the necessary protective measures in accordance with the relevant requirements of professional ethics to prevent any possible threats to independence.

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3. *Related-party Transactions Control Committee*

As at the end of the Reporting Period, the Bank's Related-party Transactions Control Committee consists of two non-executive Directors, namely Mr. Wu Shujun and Ms. Wang Ying, and three independent non-executive Directors, namely Ms. Han Lirong, Ms. Jin Xiaotong and Mr. Sun Jiafu. Ms. Jin Xiaotong is the chairman of the committee.

The principal responsibilities of the Related-party Transactions Control Committee include but are not limited to:

- to approve the rules and management systems relating to related party transactions of the Bank, establish effective risk control mechanisms for related party transactions, and regularly evaluate their effectiveness;
- to approve the types and determination rules of related parties and related party transactions of the Bank;
- to confirm the list of related parties of the Bank and their relevant information and report to the Board of Directors and the Board of Supervisors, as well as announce to the relevant staff of the Bank;
- to review major related-party transactions of the Bank, submit them to the Board of Directors for approval, and report to the banking regulatory and supervisory authority of the State Council in accordance with regulatory requirements; to filing general related-party transactions;
- to inspect and supervise the implementation of the Bank's systems relating to related party transactions by Directors, senior management and other personnel of the Bank, review relevant reports, and report to the Board of Directors;
- to review related party and related party transaction information and disclose related party transaction information.

During the Reporting Period, the Related-party Transaction Control Committee held four meetings in total, a total of 15 resolutions including the Report on the Related Party Transactions for 2022 and the Resolution on the Adjustment of Related Party List were considered and approved.

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4. Risk Management Committee

As at the end of the Reporting Period, the Bank's Risk Management Committee consists of one executive Director, namely Mr. Liang Xiangmin, and two independent non-executive Directors, namely Ms. Zhang Qihua and Mr. Fong Wai Kuk Dennis. Mr. Liang Xiangmin is the chairman of the committee.

The principal responsibilities of the Risk Management Committee include but are not limited to:

- to control, manage, supervise and assess the risks through continuous assessment of the effectiveness of the risk management and internal control systems;
- to formulate the strategies, policies and targets for the risk management and control for the Board's approval;
- to supervise senior management on the control of risks such as credit risks, market risks, operating risks and liquidity risks and conduct regular evaluation on the risk management status and risk tolerance level;
- to provide advices on improvement of risk management and internal control and raise any material issues in risk management to the attention of Board of Directors;
- to undertake the duties of anti-money laundering of the Bank, and to organize and guide the anti-money laundering works in accordance with the authorization of the Board of Directors and be accountable to the Board of Directors; to supervise and provide guidance to the anti-money laundering steering group; to discuss important issues of anti-money laundering works and review work reports on anti-money laundering; to be authorized and obligated to make decisions on and handle substantial or sensitive issues in relation to anti-money laundering;
- to discuss the risk management and internal control system with the management to ensure that the management has performed its duties by developing an effective system, and the discussion shall cover the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget for accounting, internal audit and financial reporting of the Bank; and

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- to review the following special issues at least once a year:
 - the changes of the nature and extent of major risks (including environmental, social and governance risks), and the capabilities of the Bank in dealing with the changes of its businesses and the external environment since the review of last year;
 - the scope and quality of the works of the management for continuous monitoring of the risks (including environmental, social and governance risks) and internal control system as well as (if applicable) the internal audit functions and the works of other assurers;
 - the extent and frequency that the supervision results were reported to the Board of Directors, which may facilitate the assessment of the Board of Directors on the effectiveness of the supervision and risk management of the Bank;
 - substantial supervision faults incurred and material supervision weaknesses identified during the period and the seriousness of the unforeseeable consequences or critical situations, as well as the significant influences which have been, might have been or will be caused by such consequences or situations on the financial performance or position of the Bank;
 - the effectiveness of the procedures of the Bank in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules.

For details of risk management and internal control, please refer to “Risk Management, Internal Control and Internal Audit” of this Annual Report.

During the Reporting Period, the Risk Management Committee held four meetings in total, a total of 69 resolutions including the Comprehensive Risk Management Report for 2022, the Risk Appetite Statement for 2023 and the Recovery Plan were considered and approved.

5. *Nomination Committee*

As at the end of the Reporting Period, the Bank’s Nomination Committee consists of one executive Director, namely Mr. Liang Xiangmin, one non-executive Director, namely Mr. Zhang Yusheng, and three independent non-executive Directors, namely Ms. Zhang Qihua, Mr. Fong Wai Kuk Dennis and Mr. Sun Jiafu. Mr. Sun Jiafu is the chairman of the committee.

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The principal responsibilities of the Nomination Committee include but are not limited to:

- to review the structure and composition of the Bank's Board of Directors and senior management and advise on any changes to be made to the Board of Directors to complement the strategies;
- to formulate the selection procedures and criteria for Directors and senior management;
- to conduct preliminary review and examination of and advise the Board of Directors on the qualifications and suitability of candidates for Directors and senior management and the appointment and re-appointment of Directors; and
- to assess the independence of independent non-executive Directors.

During the Reporting Period, the Nomination Committee held four meetings in total, a total of 16 resolutions including the Resolution regarding the Evaluation of Independence of Independent Non-executive Directors, the Resolution regarding the Evaluation of the Structure, Composition and Diversity Policy of the Board of Directors and the Resolution regarding the Nomination of Executive Directors were considered and approved.

6. Remuneration Committee

As at the end of the Reporting Period, the Bank's Remuneration Committee consists of one non-executive Director, namely Mr. Cui Qiang, and two independent non-executive Directors, namely Ms. Zhang Qiuhua and Mr. Sun Jiafu. Ms. Zhang Qiuhua is the chairman of the committee.

The principal responsibilities of the Remuneration Committee include but are not limited to:

- to establish and review a reasonable and transparent remuneration system and policy for the Bank;
- to make recommendations to the Bank's Board of Directors on remuneration system and policy and supervise the implementation of the scheme;

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- to assess and approve the fair and reasonable compensation for loss of office of Directors and senior management;
- to review the performance of Directors and senior management and review and advise on the remuneration for Directors and senior management with reference to the rates of remuneration of other comparable banks; and
- to review the duty performance of Directors and the senior management and to carry out annual appraisal.

During the Reporting Period, the Remuneration Committee held one meeting, a total of three resolutions including the Performance Report of the Remuneration Committee for 2022 and Work Plan for 2023 and the Administrative Measures on Remuneration for 2023 were considered and approved. In particular, the Remuneration Committee assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

7. Consumer Rights Protection Committee

As at the end of the Reporting Period, the Bank's Consumer Rights Protection Committee consists of one executive Director, namely Mr. Liang Xiangmin, one non-executive Director, namely Mr. Zhang Yusheng and one independent non-executive Director, namely Mr. Sun Jiafu. Mr. Liang Xiangmin is the chairman of the committee.

The principal responsibilities of the Consumer Rights Protection Committee include but are not limited to:

- to determine the strategies, policies and objectives for protection of the rights of financial customers of the Bank and supervise the senior management for effective implementation of the same and relevant work; to receive regularly the special reports on protection of rights of financial customers as prepared by the senior management and to disclose such reports as important information;
- to supervise the protection of rights of financial customers and evaluate the completeness, timeliness and effectiveness of the protection works of the Bank; and to review the duty performance of the senior management in this regard; and

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- to review other matters in relation to the protection of customers' rights or authorized by the Board.

During the Reporting Period, the Consumer Rights Protection Committee held two meetings in total, and five resolutions including the Work Report on Consumer Rights Protection for 2022 and Work Plan for 2023 and the Report on Consumer Complaints in the First Half of 2023 were considered and approved.

8. *Three Rurals Financial Services Committee*

As at the end of the Reporting Period, the Bank's Three Rurals Financial Services Committee consists of one executive Director, namely Mr. Guo Ce, one non-executive Director, namely Mr. Zhang Lixin and one independent non-executive Director, namely Ms. Zhang Qihua. Mr. Guo Ce is the chairman of the committee.

The principal responsibilities of the Three Rurals Financial Services Committee include but are not limited to:

- to formulate the development strategy plan, policies and basic management systems of "three rurals" business in accordance with the general development strategy plan of the Bank and make recommendations to the Board;
- to determine the risk strategy plan and other important matters in relation to "three rurals" business development in accordance with the general development strategy plan of the Bank;
- to evaluate the important factors having impact on the development of the "three rurals" business of the Bank with reference to changes of government policy and financial market conditions in relation of "three rurals" and to make recommendations to the Board for the changes to the development strategy plan of "three rurals" business in a timely manner;
- to supervise the implementation of the development strategy plan, policies and basic management systems of "three rurals" business of the Bank;
- to evaluate the results of "three rurals" services and to make recommendations to the Board accordingly;

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- to review the “three rurals” business plan in accordance with the business plan of the Bank and to make recommendations to the Board; and
- to review other matters in relation to “three rurals” business or authorised by the Board.

During the Reporting Period, the Three Rurals Financial Services Committee held one meeting, and four resolutions including the Report of the Three Rurals Financial Services for 2022 and the Three Rurals Financial Services Plan for 2023 were considered and approved.

V. Board of Supervisors

The Board of Supervisors, which is the Bank’s supervisory body, is committed to protecting the legitimate interests of the Bank, Shareholders, employees, depositors and other stakeholders, and has the obligation to oversee the Bank’s financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the Shareholders as a whole.

The term of office of the Supervisors shall be three years. Upon expiry of the current term of office, a Supervisor is eligible for re-election and re-appointment. The cumulative term of office for a non-employee Supervisor of the Bank shall be no more than six years. Shareholder Supervisors and non-employee Supervisors shall be elected, removed or replaced by the general meeting. Employee Supervisors shall be elected, removed or replaced by the employee representative meeting of the Bank.

(I) Composition of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall comprise Shareholder Supervisors, employee Supervisors and non-employee Supervisors. The number of the employee Supervisors of the Bank shall not be less than 1/3 of the total number of the Supervisors.

As at the Latest Practicable Date, the Board of Supervisors consists of seven members, including:

- Mr. Luo Hui (chairman of the Board of Supervisors, Employee Supervisor)
- Mr. Wang Enjiu (Employee Supervisor)

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- Mr. Liu Xiangjun (Employee Supervisor)
- Ms. Dai Yundi (Non-employee Supervisor)
- Mr. Liu Jianxin (Non-employee Supervisor)
- Mr. Dong Shuaibing (Non-employee Supervisor)
- Ms. Hu Guohuan (Shareholder Supervisor)

(II) Chairman of the Board of Supervisors

Mr. Luo Hui is the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall have the following duties and powers:

- to convene and preside over meetings of the Board of Supervisors;
- to report work to the general meetings on behalf of the Board of Supervisors;
- to organize the Board of Supervisors to perform its duties;
- to sign reports of the Board of Supervisors and other important documents; and
- other duties and powers as provided in laws, regulations and the Articles of Association.

(III) Changes in Supervisors

For changes in Supervisors, please refer to “Directors, Supervisors, Senior Management, Employees and Organisations – II. Changes in Directors, Supervisors and Senior Management Members” in this annual report.

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(IV) Responsibilities of the Board of Supervisors

The Board of Supervisors is a supervising organ of the Bank and accountable to the Shareholders as a whole. The Board of Supervisors shall exercise the following powers:

- (1) to supervise and evaluate the performance and due diligence of the Board of Directors and senior management in carrying out their duties in the Bank, to request the Directors and senior management to rectify their actions when such actions are detrimental to the interests of the Bank, and to recommend the dismissal of the Directors and senior management who are in violation of the laws, administrative regulations, the Articles of Association or resolutions of general meetings, or file lawsuits in accordance with the law;
- (2) to supervise the election and appointment procedures of Directors;
- (3) to conduct special and departure audits in respect of any Directors and senior management of the Bank;
- (4) to supervise and inspect and urge rectification of the operation policy, financial activities, risk management and internal control of the Bank;
- (5) to propose the convening of extraordinary general meetings, and to convene and preside over general meetings when the Board of Directors fails to fulfill its duties of convening and presiding over general meetings;
- (6) to propose to general meetings;
- (7) to supervise the Board of Directors to establish a sound business philosophy and value principles, to formulate development strategies that are in line with the Bank's situation, to evaluate the scientificity, rationality and soundness of the Bank's development strategy, and to form an evaluation report;
- (8) to propose to general meetings to remove any Directors, president of the Bank or Supervisors who have failed to perform their duties or violated any laws, administrative regulations or the Articles of Association;

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- (9) to review the regular reports prepared by the Board of Directors and to provide written review opinions; to review the financial reports, operation reports and profit distribution plans to be submitted by the Board to general meetings; if any queries arise or any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage professionals such as accounting firms or law firms to assist in the work, at the expenses of the Bank;
- (10) to supervise the implementation of the remuneration management (or allowance) system of the Bank as well as the scientificity and rationality of the remuneration (or allowance) plan for senior management personnel;
- (11) other duties and powers as provided in laws, rules and regulations, departmental regulations, normative documents and the Articles of Association or conferred by the general meetings.

The Board of Supervisors fulfills their supervisory responsibilities mainly in the following manners:

- convening regular meetings of the Board of Supervisors;
- attending general meetings and the meetings of the Board of Directors;
- attending the relevant meetings of the senior management;
- reviewing various documents and materials provided by the senior management and receive work report prepared by the senior management;
- evaluating annual performance of the Directors and senior management;
- conducting on-site inspections of the Bank's branches and subsidiaries; and
- conducting departure audits of the Bank's executive Directors and senior management.

Through the above works, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management, internal control, and the performance of the Board of Directors and senior management.

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(V) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened four meetings and there was no objection to the matters under the supervision of the Board of Supervisors. The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

	Attendance in Person	Attendance by Proxy	No. of Required Attendance
Mr. Luo Hui	4	0	4
Mr. Wang Enjiu	4	0	4
Mr. Liu Xiangjun	4	0	4
Ms. Dai Yundi	4	0	4
Mr. Liu Jianxin	4	0	4
Mr. Dong Shuaibing	4	0	4
Ms. Hu Guohuan	4	0	4

(VI) Attendance at the general meetings

During the Reporting Period, the Board of Supervisors designated representatives to attend the annual general meeting of the Bank. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the meeting. In addition, the Board of Supervisors appointed representatives to attend the first extraordinary general meeting in 2023 to supervise the convening and voting procedures of the meeting.

(VII) Attendance at the meetings of the Board of Directors and senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend the meetings of the Board of Directors and supervised legal compliance of the meetings, procedures of voting, attendance, speech and voting of the Directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised implementation of resolutions by the Board of Directors.

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(VIII) Committees of the Board of Supervisors

The Board of Supervisors has established the Nomination Committee and the Supervisory Committee. The committees operate in accordance with their respective terms of reference formulated by the Board of Supervisors.

1. *Nomination Committee*

The Nomination Committee consists of three Supervisors, being Ms. Dai Yundi, Ms. Hu Guohuan and Mr. Liu Xiangjun. The chairman of the Nomination Committee is Ms. Dai Yundi.

The principal responsibilities of the Nomination Committee include:

- (1) to make recommendations to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors in accordance with the Bank's operation, scale of assets and shareholding structure;
- (2) to review the procedures and criteria for electing and appointing Supervisors and making recommendations to the Board of Supervisors;
- (3) to identify qualified candidates for the Supervisors;
- (4) to perform preliminary review of the qualifications and credentials of candidates for the Supervisors nominated by the Bank's Shareholders in accordance with applicable laws and regulations;
- (5) to supervise the process of election and appointment of Directors;
- (6) to supervise and examine the discharge of responsibilities and duties of the Supervisors during their term of office as authorized by the Board of Supervisors;
- (7) to take the lead in conducting a comprehensive evaluation of the discharge of responsibilities and duties by the Board of Directors, the Board of Supervisors and senior management and report the results to the Board of Supervisors;

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- (8) to draft the proposals related to removal of a Supervisor to be submitted by the Board of Supervisors;
- (9) to make proposals related to award or sanction of Supervisors to the Board of Supervisors;
- (10) to be responsible for the daily work of the Nomination Committee and liaise with the members of the Nomination Committee under the guidance of the chairman of the Nomination Committee;
- (11) to be responsible for the preparatory works in relation to the election of the members of the Board of Supervisors;
- (12) to supervise scientificity and reasonableness of remuneration system and policies of the Bank and remuneration proposals of the senior management; and
- (13) other matters authorised by the Board of Supervisors.

The Nomination Committee held a total of four meetings during the Reporting Period, and 23 resolutions including 2022 Performance Assessment Report of the Board of Supervisors and Supervisors were considered and approved.

2. Supervisory Committee

The Supervisory Committee consists of three Supervisors, being Mr. Liu Jianxin, Ms. Hu Guohuan and Mr. Wang Enju. The chairman of the Supervisory Committee is Mr. Liu Jianxin.

The principal responsibilities of the Supervisory Committee include:

- (1) to formulate plans on supervising and examining the Bank's financial activities;
- (2) to formulate plans of specific audits of the Directors and senior management and perform departure audit of the executive Directors and senior management;
- (3) to formulate and implement audit plans of the Bank's business decision-making, risk management and internal control;

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- (4) to perform audit related to the authenticity of the financial results of the Bank in the last financial year;
- (5) to supervise compliance with applicable laws, regulations, financial policies and the Articles of Association by the Directors and senior management in discharging their respective duties and responsibilities;
- (6) to make proposals in relation to engagement or change of external auditors;
- (7) to provide guidance to the Bank's internal audit and supervise the Bank's internal audit policies and implementation of these policies;
- (8) to liaise with internal auditors and external auditors;
- (9) to review the financial information of the Bank and its disclosure;
- (10) to review the internal control policies of the Bank; and
- (11) other matters authorised by the Board of Supervisors.

The Supervisory Committee held a total of four meetings during the Reporting Period, and 85 resolutions including the Resolution regarding the Improvement of Internal Audit System Construction were considered and approved.

(IX) Work performed by Non-employee Supervisors

The chairmen of the Nomination Committee and the Supervisory Committee are served by non-employee Supervisors, which strengthen the role of non-employee Supervisors in performing assessment, internal control and other aspects of independent oversight functions, and play a positive role in improving the Bank's management quality and governance structure.

During the Reporting Period, non-employee Supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of sustainable development of the Bank and protection of its Shareholders' interests, carefully provided their independent opinions, and fulfilled the responsibilities of non-employee Supervisors in compliance with applicable laws and regulations.

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VI. Senior Management

The Bank establishes a system under which the president is fully accountable to the Board of Directors. According to the Articles of Association, the Bank shall have one president, three to seven vice presidents and other senior management to assist the president in carrying out his/her duties if necessary. The president, vice president and assistant to the president shall be appointed and removed by the Board of Directors after their qualifications have been approved by regulatory authorities.

The senior management is the executive organisation of the Bank, and is responsible to the Board of Directors and supervised by the Board of Supervisors. The division of powers between the senior management and the Board of Directors strictly complies with the corporate governance documents, including the Articles of Association.

As at the Latest Practicable Date, the senior management of the Bank was as follows:

- Mr. Chen Xinzhe (president)
- Mr. Yuan Chunyu (executive Director, vice president, secretary to the Board of Directors and joint company secretary)
- Ms. Sun Haijuan (vice president)
- Mr. Cong Jingtai (vice president)⁽¹⁾
- Mr. Qin Lei (assistant to the president)
- Ms. Ding Wei (assistant to the president)

Note:

- (1) On 10 November 2023, the Board of Directors resolved to appoint Mr. Cong Jingtai as the vice president of the Bank, and his term of office shall commence from the date on which his qualification is approved by regulatory authorities, and shall end on the expiry of the term of the fifth session of the Board. As of the Latest Practicable Date, the qualification of Mr. Cong Jingtai as the vice president remains subject to the approval of regulatory authorities.



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The president of the Bank is responsible to the Board of Directors and has the following powers and duties:

- (1) to manage the business operations of the Bank and report work to the Board of Directors;
- (2) to organize the implementation of resolutions passed by the Board of Directors, the annual business plans and investment plans of the Bank;
- (3) to prepare plans for the establishment of internal management organisations;
- (4) to establish the basic management system of the Bank;
- (5) to formulate detailed regulations of the Bank;
- (6) to propose to the Board of Directors for the appointment or removal of such senior management members of the Bank as the vice president and persons in charge of finance, credit and audit;
- (7) to appoint or remove the management personnel other than those required to be appointed or removed by the Board of Directors;
- (8) to determine the salary, welfare, reward and punishment of employees of the Bank and to decide on the appointment and dismissal of employees of the Bank;
- (9) to propose to convene interim meetings of the Board of Directors;
- (10) to decide on the set-up and cancellation of any branches of the Bank and to authorise presidents of any sub-branches to manage daily business and operation;
- (11) in the event of emergencies (such as a run on the Bank), to take contingency measures and report immediately to the banking regulators of the State Council, the Board of Directors and the Board of Supervisors; and
- (12) other duties and powers provided by laws, regulations, departmental regulations, normative documents, regulators and the Articles of Association and conferred by the Board of Directors.

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The president shall, as required by the Board of Directors or the Board of Supervisors, report to the Board of Directors or the Board of Supervisors any signing and performance of material contracts, use of fund and profits and losses, as well as the relevant guarantees, and ensure the truthfulness of such reports.

The remuneration paid to the senior management (excluding the members of senior management who are also Directors) for the year ended 31 December 2023 is set out as follows:

Remuneration bands	Number of individuals
Less than RMB1.0 million	2
RMB1.0 million – RMB1.5 million	1
More than RMB1.5 million	2

VII. Chairman of the Board and the President

The roles and duties of the chairman of the Board of Directors and the president of the Bank are assumed by different persons, with their respective responsibilities clearly delineated and in compliance with the requirements under the Hong Kong Listing Rules.

As at the end of the Reporting Period, Mr. Guo Ce, an executive Director, is the chairman of the Board of Directors, who is responsible for the overall strategic planning and management of the Board of Directors to ensure that the Board of Directors operates efficiently and that all Directors are aware of the current issues so as to discuss any issues in a timely and effectively manner. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board of Directors works with the Bank's senior management to ensure that all Directors promptly receive appropriate, complete and reliable information for their consideration and review.

During the Reporting Period, Mr. Chen Xinzhe is the president of the Bank, who is responsible for business operations, implementing the Bank's strategies and carrying out the business plans. The president of the Bank, being nominated by the chairman of the Board of Directors and appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the Articles of Association and within the authorisation by the Board of Directors.

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VIII. Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

IX. External Auditors and Remuneration of Auditors

As SHINEWING (HK) CPA Limited (“SHINEWING (HK)”) has been providing international audit services to the Bank for many consecutive years, and the Bank was unable to reach an agreement with SHINEWING (HK) on the audit fee for the financial statements for the year ending 31 December 2023, SHINEWING (HK) has resigned as the international external auditing firm of the Bank for the year 2023 with effect from 10 November 2023. Due to the long distance from the Bank and the fact that the original price could not meet the work requirements, CAC CPA Limited Liability Partnership (“CAC”) has resigned as the domestic external auditing firm of the Bank for the year 2023 with effect from 10 November 2023.

As considered and approved at the first extraordinary general meeting of 2023, the Bank engaged Da Hua Certified Public Accountants (Special General Partnership) as the auditor for the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises of the Bank for 2023. The Bank engaged Crowe (HK) CPA Limited as the auditor for the financial statements prepared in accordance with the International Financial Reporting Standards of the Bank for 2023. Save as disclosed above, there was no change in the auditors of the Bank in the past three years. The fees as agreed to be paid by the Group for the domestic and overseas audit of the financial statements for the year ended 31 December 2023 are RMB1.6 million and RMB2.2 million, respectively, and for the non-audit service (i.e. interim review) are RMB1.3 million.

The Audit Committee of the Board of Directors is of the view that Da Hua Certified Public Accountants (Special General Partnership) and Crowe (HK) CPA Limited could properly complete various tasks as required by the Bank, stick to the principles of independence, objectiveness and impartiality and comply with the applicable account principles and ethical requirements for accountants, and conduct the audit work in a prudent and flexible manner. The responsibility statement in respect of the financial report made by Crowe (HK) CPA Limited is included in the financial report set out in this annual report. During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the Audit Committee on the selection and appointment of external auditors.

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X. Joint Company Secretaries

Mr. Yuan Chunyu, an executive Director, vice president and the secretary to the Board of Directors, and Mr. Lau Kwok Yin, the vice president of SWCS Corporate Services Group (Hong Kong) Limited, are the current joint company secretaries of the Bank. The key contact person between Mr. Lau Kwok Yin and the Bank is Mr. Yuan Chunyu.

During the Reporting Period, both Mr. Yuan Chunyu and Mr. Lau Kwok Yin have complied with the requirement to attend not less than 15 hours of relevant professional training under Rule 3.29 of the Hong Kong Listing Rules.

XI. Communication with Shareholders

The Bank places great importance on its Shareholders' opinions and suggestions and has enhanced understanding and interaction with the Shareholders through a wide range of channels such as the general meetings, reception for visitors, on-site visits and telephone consultations. The main channels for the Bank to convey information to Shareholders and investors are available on the Bank's website at www.jtnsh.com and the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk for reference of the Bank's financial reports (interim and annual reports), announcements, circulars and other public information. If Shareholders have any questions about their shareholdings, they should raise them with the Board or the H Share Registrar of the Bank. After implementing the above measures and upon review, the Bank believes that the shareholder communication policy is sufficient and effective during the Reporting Period.

General enquiries

For enquiries made to the Board of Directors by the Shareholders and potential investors, please contact:

Office of the Board of Directors of Jilin Jiutai Rural Commercial Bank Corporation Limited
No. 2559 Wei Shan Road, High-tech Zone
Changchun City, Jilin Province, the PRC
Telephone: +86 (431) 8925 0628
Facsimile: +86 (431) 8925 0628

Place of Business in Hong Kong: Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong

Investors may view this annual report on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

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Enquiries on matters relating to the H Shares

If the Shareholders have any enquiries on matters relating to the H Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Enquiries on matters relating to the Domestic Shares

If the Shareholders have any enquiries on matters relating to the Domestic Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Office of the Board of Directors of Jilin Jiutai Rural Commercial Bank Corporation Limited
No. 2559 Wei Shan Road, High-tech Zone
Changchun City, Jilin Province, the PRC
Telephone: +86 (431) 8925 0628
Facsimile: +86 (431) 8925 0628

XII. Information Disclosure

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

In accordance with the requirements of the Measures for the Information Disclosure of Commercial Banks and other laws and regulations, the Bank continuously improves the timeliness, accuracy and completeness of information disclosure.

The Bank has also formulated the Measures for Information Disclosure, which defined the basic principles of information disclosure, including the principles of disclosure of the Bank's prospectus, offering circulars, listing documents, regular reports and interim reports. The Board of Directors is primarily responsible for the information disclosure of the Bank and the chairman is the primary person-in-charge of the information disclosure of the Bank.

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XIII. Procedures and Regulatory Measures related to Inside Information

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality, maintain fairness with regard to information disclosure and protect the legitimate interest of investors, the Bank has formulated the Measures for Information Disclosure and the Measures for Registration of Insiders and Management of Confidential Information pursuant to applicable laws, regulations, the Hong Kong Listing Rules and other regulatory requirements.

The Bank's Measures for Information Disclosure and the Measures for Registration of Insiders and Management of Confidential Information provide for the scope of inside information and the definition of insiders possessing inside information, detailed requirements on the management of insiders and inside information, confidentiality of such information and sanction measures for divulgence of inside information.

XIV. Amendment to the Articles of Association

In order to continuously improve the Bank's corporate governance, according to the Company Law of the People's Republic of China, the Corporate Governance Guidelines for Banking and Insurance Institutions and other relevant laws and regulations and in combination with the Bank's actual situation, the Bank proposed to amend the articles of association of the Bank (the "Articles of Association"). Such amendments were approved by the Shareholders at the annual general meeting of 2022 held on 16 June 2023.

The above amendments to the Articles of Association were approved by Jilin Bureau of the National Administration of Financial Regulation and became effective from 6 September 2023. For details of the amendments, investors may refer to the circular of the Bank dated 27 April 2023 and the announcement of the Bank dated 8 September 2023 posted on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XV. Rights of Shareholders

(I) Convening of extraordinary general meeting at the request of Shareholders

The Shareholders of the Bank who individually or jointly hold more than 10% of the total voting Shares of the Bank (the "Relevant Shareholders") may request the Board of Directors in writing to convene an extraordinary general meeting (the shareholding percentage shall be calculated based on the shareholding of the Relevant Shareholders on the date when such written request is made). The Board of Directors shall hold an extraordinary general meeting within two months from the date when the Relevant Shareholders make such request.

Chapter 9 Corporate Governance Report

Where the Relevant Shareholders propose to the Board to convene an extraordinary general meeting, the topic to be considered at the meeting and the proposals with complete contents shall be submitted to the Board in writing. The Relevant Shareholders shall ensure the proposals are in compliance with the provisions of laws, rules and regulations, and the Articles of Association.

For the purpose of any proposal submitted in writing by the Relevant Shareholders to convene a general meeting, the Board shall decide whether to convene such meeting in accordance with laws, rules and regulations, and the Articles of Association. The Board shall provide written feedback on whether it agrees or disagrees to convene an extraordinary general meeting within 10 days after receiving the aforesaid written proposal.

Where the Board agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given and the consent of the Relevant Shareholders shall be obtained in respect of any changes to the original proposals stated in such notice. After the notice is given, the Board shall neither propose any new proposals nor change or postpone the time for convening the general meeting without the consent of the Relevant Shareholders.

Where the Board does not agree to convene an extraordinary general meeting or does not respond within 10 days upon receipt of the request, the Relevant Shareholders shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and make such proposal in writing to the Board of Supervisors. Where the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days upon receipt of such request and the consent of the Relevant Shareholders shall be obtained in respect of any changes to the original proposal stated in such notice.

Where the Board of Supervisors does not give a notice of the general meeting, the Board of Supervisors shall be deemed not to agree to convene and preside over the general meeting. The Shareholders holding more than 10% of the Shares for consecutive 90 days individually or in aggregate may convene and preside over a general meeting.

Where the Shareholders convene and preside over a general meeting due to the failure on the part of the Board and the Board of Supervisors to hold such meeting as required, any reasonable expenses incurred shall be borne by the Bank and deducted from any amount due from the Bank to the Directors and Supervisors in default.

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(II) Proposing resolutions at Shareholders' general meetings

When the Bank convenes a general meeting, the Board, the Board of Supervisors and the Shareholders individually or jointly holding more than 3% of the voting Shares of the Bank are entitled to propose new proposals to the general meeting in writing. The Bank shall include in the agenda of the meeting any matters in the proposals that fall within the scope of powers of the general meeting.

The Shareholders who individually or jointly hold more than 3% of the total voting Shares of the Bank may nominate candidates for Directors and Supervisors to the Board of Directors and the Board of Supervisors, respectively, but the number of candidates must be in compliance with the provisions of the Articles of Association and shall not be more than the number of Directors and Supervisors to be elected and appointed.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for independent non-executive Directors to the Board of Directors and such independent non-executive Directors shall be elected at the general meeting. A Shareholder who has nominated a candidate for Director shall not nominate any candidate for independent non-executive Director and the same Shareholder can only nominate one candidate for independent non-executive Director. No Shareholder can concurrently nominate a candidate for independent non-executive Director and a candidate for non-employee Supervisor.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for non-employee Supervisors.

(III) Making inquiries to the Board of Directors

The Shareholders of the Bank are entitled to supervise the business activities of the Bank, and make recommendations or inquiries to the Board of Directors.

(IV) Inspection rights of the Shareholders

The Shareholders are entitled to access to the following information in accordance with applicable laws, regulations, departmental rules, normative documents, the relevant requirements of the securities regulatory authorities of the place where the Bank's Shares are listed and the Articles of Association, including:

1. a copy of the Articles of Association upon the payment of cost;

Chapter 9 Corporate Governance Report

2. a copy of the following documents after a reasonable fee has been paid:
 - a. all parts of the register of members of the Bank;
 - b. the personal information of Directors, Supervisors, president and senior management of the Bank;
 - c. status of the share capital of the Bank;
 - d. reports on the aggregate par value, number, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last financial year, as well as all the expenses paid by the Bank in relation to such repurchases;
 - e. minutes of the general meeting.

In accordance with the requirements of Hong Kong Listing Rules, the Bank shall make the documents referred to in items (a) and (e) available for free inspection by the H Shareholders at the address of the Bank in Hong Kong.

Copies of minutes of the meetings will be available for inspection by the Shareholders free of charge during the office hours of the Bank. If any Shareholder makes a request to obtain a copy of the relevant minutes from the Bank, the Bank shall send a copy of the requested minutes within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include inside information of the Bank.

Where a Shareholder of the Bank requests to review the relevant information above, such Shareholder shall provide written document to prove that he possesses any Shares of the Bank and the Bank shall make available such information required by the Shareholder after the identity of such Shareholder has been proved.

Chapter 10 Risk Management, Internal Control and Internal Audit

I. Overview

The Group emphasizes prudent business management and believes that effective risk management and internal control are critical to its sustainable business growth:

- The Bank has established a comprehensive risk management system covering its front, middle and back offices and all business procedures to monitor, evaluate and manage the risk exposure of its business activities. The Group has adopted different risk management strategies based on the risk characteristics of different industries. In particular, for sensitive industries such as real estate, the Group has adopted more stringent management measures and optimized its credit structure to lower concentration risks.
- As a separate legal entity, each subsidiary has established risk management and internal control systems in accordance with applicable regulatory requirements.

The Bank actively participates in formulating the risk management policies and strategies of the subsidiaries through the nomination of representatives to serve on their respective board of directors. The Bank also assists each subsidiary in formulating and reforming its risk management measures and processes, and supervises and monitors the implementation of the risk management measures and processes by sending or designating risk management personnel to each subsidiary or through the management department of village and township banks.

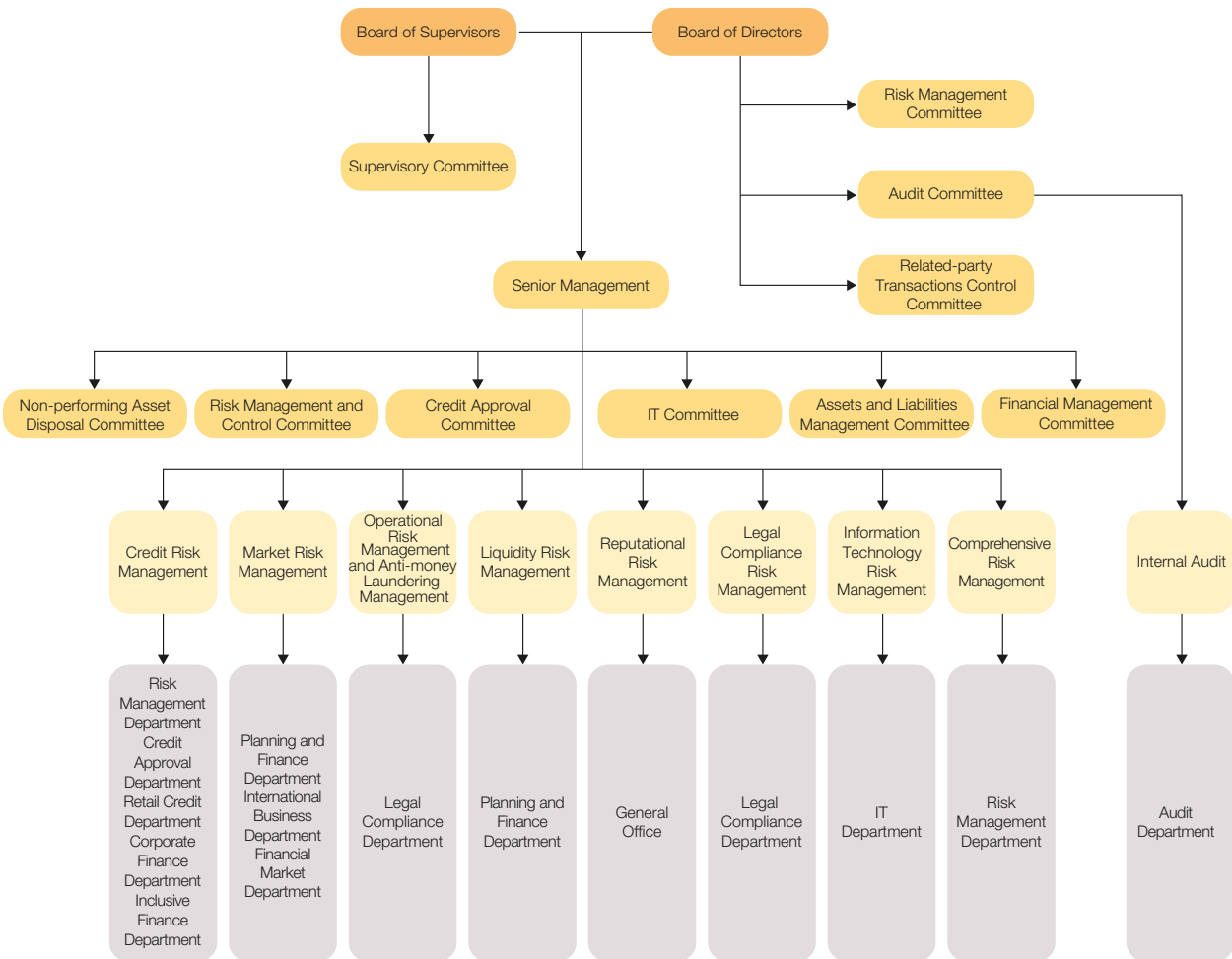
The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Chapter 10 Risk Management, Internal Control and Internal Audit

II. Risk Management and Internal Control of the Bank

(I) Organisational System

As of the Latest Practicable Date, the organisational structure of the Bank's risk management was as follows:



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Board of Directors and special committees of the Board of Directors

The Board of Directors is ultimately responsible for risk management and internal control of the Bank. The Board of Directors is responsible for (i) determining the Bank's overall risk appetite and risk tolerance level; (ii) approving risk management strategies, policies and procedures; (iii) requiring senior management to take necessary risk response measures; and (iv) monitoring and assessing the comprehensiveness and effectiveness of the Bank's risk management and internal control. The Bank has also established the Risk Management Committee, Audit Committee and Related-party Transactions Control Committee under the Board of Directors.

Risk Management Committee

The Bank's Risk Management Committee is primarily responsible for (i) controlling, managing, monitoring and evaluating risks and assessing its risk management system and internal control system; (ii) proposing risk management strategies, policies and targets for Board's discussion and approval; (iii) reviewing risk management measures; and (iv) reviewing risk management issues and making recommendations to improve its risk management and internal control.

Audit Committee

The Bank's Audit Committee is primarily responsible for (i) reviewing its accounting policies, financial position, financial reports, and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising its internal audit system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of its audited financial information.

Related-party Transactions Control Committee

The Bank's Related-party Transactions Control Committee is primarily responsible for (i) identifying related parties and monitoring and reviewing significant connected transactions; (ii) establishing, updating and overseeing the implementation of rules for connected transactions; and (iii) submitting regular reports on connected transactions to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

During the Reporting Period, through the strengthening of bottom line thinking and in pursuit of synchronized improvement in business scale, quality and efficiency, the Bank promoted comprehensive risk management to ensure steady operation. In addition to license management and classified management, the Bank also implemented risk pre-warning and reporting system to constantly regulate its operation and management activities. Furthermore, it strengthened the inspection of key business lines to prevent and mitigate various risk exposures. Employee education and training programs were conducted, which effectively enhanced the competence of staff and their awareness of internal control and compliance. The supervisory functions of the business management departments, legal and compliance department and audit department in internal control were improved, which set up a supervision and inspection system covering all levels of institutions, different products and business procedures.

According to the regulatory requirements, the Board of Directors of the Bank conducts evaluation on the effectiveness of risk management and internal control on an annual basis. During the Reporting Period, the Bank maintained effective and adequate risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in risk management and internal control.

Board of Supervisors and its Supervisory Committee

The Board of Supervisors monitors the compliance of the Board of Directors and senior management of the Bank with laws, regulations and internal policies related to risk management. It also examines and supervises the financial activities and internal control of the Bank. Additionally, the Board of Supervisors conducts departure audits on executive Directors and senior management.

The Supervisory Committee of the Board of Supervisors draws up supervisory plans for financial activities and conducts related inspections. It also oversees the implementation of the Bank's operating philosophy and development strategies. Additionally, the Supervisory Committee monitors and inspects the Bank's operational decisions, risk management and internal control while performing other duties as authorized by the Board of Supervisors.

Senior management and its special committees

Senior management implements risk management policies, strategies, plans and any policies determined by the Board of Directors and coordinates risk management activities. With the assistance of other senior management personnel, the Bank's president is ultimately responsible for risk management at the senior management level and reports directly to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

The Bank has established six special committees with risk management functions, namely the Risk Management and Control Committee, Credit Approval Committee, IT Committee, Assets and Liabilities Management Committee, Financial Management Committee and Non-performing Asset Disposal Committee. These committees work together to organize, coordinate and review measures for risk management and their implementation.

Risk Management and Control Committee

The Bank's Risk Management and Control Committee is primarily responsible for (i) monitoring the daily risk management and internal control activities of the Bank; (ii) regularly assessing overall risk status of the Bank; and (iii) making recommendations for the improvement of risk management and internal control.

Credit Approval Committee

The Bank's Credit Approval Committee is mainly responsible for (i) reviewing and approving extension of credits; (ii) providing market knowledge for authorized approval officers; and (iii) ensuring the appropriate check and balance of approval rights exercised by authorized approval officers. The Credit Approval Committee reviews any credit business that exceeds the approval authority of vice presidents.

IT Committee

The Bank's IT Committee is responsible for (i) reviewing the IT development plans of the Bank; (ii) reviewing and coordinating work plans for IT development; (iii) evaluating information technology management standards, data standards and information management specifications; (iv) reviewing approvals and system requirements for bank-wide informatization development projects; (v) coordinating the development, testing and maintenance of IT systems; and (vi) reviewing the development plans and policies for information safety management system.

Assets and Liabilities Management Committee

The Bank's Assets and Liabilities Management Committee is primarily responsible for (i) centralized management of the size, structure and proportion of the Bank's asset and liability businesses; (ii) making appropriate adjustments to risk asset management plans in accordance with the Bank's business development strategies; and (iii) evaluating the Bank's internal and external pricing policies and strategies, pricing management mechanism and liquidity management system.

Chapter 10 Risk Management, Internal Control and Internal Audit

Financial Management Committee

The Bank's Financial Management Committee is responsible for (i) monitoring the implementation of the national policies and regulations; (ii) overseeing the accuracy, timeliness, truthfulness and completeness of financial information; (iii) evaluating the Bank's financial condition and operating performance; (iv) reviewing the financial inspections of the Bank by external institutions and preparing appropriate remediation plans; and (v) reviewing fixed asset purchases, construction and leasing as well as the feasibility of other bulk purchase plans.

Non-performing Asset Disposal Committee

The Bank's Non-performing Asset Disposal Committee is mainly responsible for: (i) assessing the compliance and feasibility of non-performing asset disposal proposal; (ii) conducting examining and risk assessment on the authenticity and necessity of disposal of non-performing asset; and (iii) being the Bank's approving and decision making authority of non-performing asset disposal.

Risk Management Department

A number of the Bank's business departments, such as Risk Management Department, the Legal Compliance Department, the Credit Approval Department, the Corporate Finance Department and the Retail Credit Department, are also involved in the Bank's daily risk management.

(II) Risk Management System

1. Authorization management system

The Bank has established the Measures for Authorization Management to grant the annual basic authorization for the operation, finance, human resources and other affairs of the general and ordinary business within its statutory scope of business. The Bank may also grant a temporary special authorization for any businesses that exceed the scope of basic authorization, special financing business and new businesses. While the Bank's headquarters grants an authorization directly to specific personnel, such authorized personnel may delegate authority to other personnel within their scope of authority after proper approvals or reporting have been made.

The Bank grants and properly adjusts authorizations to different authorized personnel in accordance with their operational management performance, management role and employment status. The businesses and other affairs that are beyond the scope of authorization of the relevant personnel shall be reported to and obtained approval from the higher level pursuant to the Measures for Authorization Management.

Chapter 10 Risk Management, Internal Control and Internal Audit

2. Credit management system

The credit management system of the Bank has the following features:

- **Credit management for all credit customers:** in accordance with the requirements of the National Administration of Financial Regulation, the Bank determines the credit limit for each customer primarily based on factors such as (a) the operational and financial condition and repayment history of borrowers, (b) the intended purpose of loans, and (c) the collateral or guarantees for loans.
- **Strengthening uniform credit management for group customers:** in order to identify and control concentration risks arising from group customers, the Bank does not extend credit to any group customer in excess of 15% of its regulatory capital. The Bank uniformly determines the overall credit limits for group customers to prevent parallel credit extension from multiple branches.
- **Separate systems for credit examination and approval:** the investigation, assessment and decision of the Bank's credit business are carried out by different departments and personnel.
- **Strengthening the management of credit business procedures:** the Bank has formulated specific administrative measures for each stage of credit extension.
- **Strengthening the management of the acceptance business:** the Bank has formulated specific administrative measures for its acceptance bill business, discounted bill business and other bill businesses to ensure that its acceptance business complies with applicable laws and regulations and to prevent the use of false trading information or the use of loan proceeds for security deposits.
- **Strengthening the management of loan classifications:** the Bank has established refined loan classification measures based on the loan risk classifications formulated by the National Administration of Financial Regulation to precisely evaluate its credit risks.
- **Strengthening the management of corporate customers:** the Bank has formulated a sophisticated management system for credit ratings of corporate customers to evaluate credit risks for each type of corporate customers.

Chapter 10 Risk Management, Internal Control and Internal Audit

- **Strengthening the risk awareness of employees:** the Bank has formulated stringent punishment measures targeted on the non-compliance with regulations and disciplines by working staff, as well as the punishment measures for the issues identified in its internal audits to increase the initiative of all employees to strictly implement the policies and rules relevant to risk management.

(III) Management of Different Types of Risks

The Bank has paid close attention to the development trend and directional changes of various risks and continued to improve its comprehensive risk management system, which effectively enhances its risk management ability.

For details of the management of various risks including credit, market, operating, liquidity, reputational, legal and compliance, and information technology risks, and anti-money laundering management, please refer to the section headed “Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank” of this annual report.

III. Risk Management and Internal Control of Subsidiaries

As a separate legal entity, each subsidiary of the Bank has established risk management and internal control systems, in accordance with applicable regulatory requirements. The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Bank’s Board representatives. The Bank supervises and monitors the implementation of the risk management processes of its subsidiaries by sending or designating risk management personnel and through the management department of the Bank’s village and township banks.

(I) Organisational System

Each subsidiary has established a multi-layer risk management organisational system that primarily consists of (1) the board of directors that is ultimately responsible for risk management, (2) various special committees under the board of directors, which are responsible for proposing risk management strategies, policies and targets and reviewing accounting policies, financial reports and risk and compliance conditions, (3) the board of supervisors, which is primarily responsible for monitoring the compliance by the board of directors and senior management with risk management laws, regulations and internal policies, and (4) senior management and various special committees, which are responsible for implementing the risk management policies, strategies, plans and any policies determined by the board of directors and coordinating risk management activities.

Chapter 10 Risk Management, Internal Control and Internal Audit

(II) Management of Different Types of Risks

For details of the management of various risks including credit, market and operating risks of each subsidiary, please refer to the section headed “Management Discussion and Analysis — 4.5 Risk Management — (b) Risk Management of the Subsidiaries” of this annual report.

IV. Internal Audit

(I) Internal Audit of the Bank

For details regarding the internal audit of the Bank, please refer to the section headed “Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank — (ix) Internal audit” of this annual report.

(II) Internal Audit of Subsidiaries

Each subsidiary has designated auditors who perform the functions of audit, supervision, assessment and consultation independently.

V. Regulation of the Bank’s Inside Information

The Bank attaches great importance to information disclosure and inside information management. In order to strengthen the inside information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated the Measures for Information Disclosure (《信息披露制度》) and the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank’s Inside Information (《内幕信息知情人登記管理及保密制度》) in accordance with the PRC Company Law, the PRC Securities Law, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents. The following aspects are clearly provided for in the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank’s Inside Information, including the coverage of the information that involves the Bank’s operation and finance, or that may have significant impact on the market prices of the Bank’s Shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail the management of insiders and confidential information and the penalties for violating the internal measures governing insiders and inside information.



Chapter 10 Risk Management, Internal Control and Internal Audit

In accordance with the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank's Inside Information, the Office of the Board of Directors shall maintain a complete list of the persons that are involved in preparing, circulating, reviewing and disclosing the inside information of the Bank before such information is formally disclosed. The details of registration include the identities of insiders, number of their securities accounts, relationship between the insiders and the Bank, and timing and method of obtaining the inside information. The Office of the Board of Directors shall also conduct regular and ad hoc inspections of the securities transactions between the insiders and the Bank.

The Bank carries out information disclosure strictly according to regulatory requirements. In the Measures for Information Disclosure, the Bank has clearly defined the basic principles of information disclosure and the disclosure rules. In addition, the Bank has specified that the Office of the Board of Directors is responsible for developing and implementing the Measures for Information Disclosure, the Bank's chairman is the first principal responsible for implementing the Bank's information disclosure system, the secretary to the Board of Directors is the designated contact person between the Bank and the National Administration of Financial Regulation or its agencies, and the company secretary is responsible for submitting the required documents to the Hong Kong Stock Exchange. The Board of Supervisors is responsible for supervising the Bank's information disclosure and reporting to the general meeting of the Bank and the competent regulatory authorities about irregularities related to information disclosure involving the Bank's Directors, president or senior management.

Chapter 11 Environmental, Social and Governance Report

1. About This Report

This Environmental, Social and Governance Report (the “ESG Report” or this “Report”) of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (the “Group” or “we”) summarizes the efforts in fulfilling our social responsibilities as well as the environmental and social performance (please refer to Appendix I: Sustainability Data Statements) in pursuit of sustainable development and operation.

Scope of Reporting

This Report elaborates the environmental and social performance of the core business of the Group from 1 January 2023 to 31 December 2023 (the “Year” or the “Reporting Period”). Key performance indicators have been consolidated in this Report in order to quantify the performance of the Group and reflect various aspects of its business development to stakeholders. Unless otherwise specified, this Report covers the businesses directly controlled by the Group, while the key environmental performance indicators include the Bank and its 35 subsidiaries.

Reporting Guidance

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the covering scope of which is in compliance with the mandatory disclosure requirements, the “comply or explain” provisions and four reporting principles of “materiality, quantitative, balance and consistency” under the Guide. The last appendix to this Report sets out the index of the Guide for quick reference by readers. For details of corporate governance, please refer to the section headed “Corporate Governance Report” of this annual report of the Bank, which should be read in conjunction with this ESG Report in order to have a thorough understanding of the environmental, social and governance (“ESG”) practices of the Group.

Materiality: This Report has identified and disclosed the process and criteria for material ESG topics, and the process and results of engagement of substantial stakeholders and stakeholders.

Quantitative: This Report has disclosed the statistical standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors for the reporting of key performance indicators.

Balance: The content of this Report reflects objective information, and discloses both positive and negative indicators.

Chapter 11 Environmental, Social and Governance Report

Consistency: The statistical methodologies used for data disclosure in this Report are consistent with previous years. Any changes to the methods or key performance indicators, or any other relevant factors affecting a meaningful comparison will be clarified in the ESG Report.

Reporting Language

This Report is published in both Traditional Chinese and English. In the event of any discrepancy between the two versions, the Traditional Chinese version shall prevail.

Report Approval

Upon confirmation by the management, this Report was approved by the Board of Directors on 27 March 2024.

Feedbacks

Your opinions on this Report are highly valued by the Group for continuous improvement of the disclosure in future reports. If you have any inquiry or suggestion, please email to the following address: jtnsyh@126.com.

2. Sustainable Development Management

2.1 Statement of the Board of Directors

The Bank adheres to the principle of sustainable development in its daily business activities and is committed to promoting the benign development of society and environment. The Board assumes the ultimate responsibilities for sustainable development, is responsible for the review and decision-making of major ESG topics, and comprehensively supervises the Bank's ESG-related work, including the identification and prioritization of major ESG issues, its target commitment and actual performance supervision. We promoted the deep integration of ESG matters and corporate governance structure, to ensure that the Bank's commitments of high-quality and sustainable development. The Board has also authorised to set up the ESG Task Force, to supervise and promote the execution of various ESG issues, and report to the Board and management the Bank's ESG performance and the effectiveness of the ESG system. During the Reporting Period, the Board has reviewed the material topics of the Bank, reviewed the progress of environmental target and evaluated the ESG-related risks and opportunities.

Chapter 11 Environmental, Social and Governance Report

2.2 Sustainable Development Strategies

The Group proactively implemented the relevant requirements, and formulated the Sustainable Development Policy to clearly implement the objectives and management policy of sustainable development. The policy covers five major areas, including environmental protection, operation management, employee interests, community investment and stakeholder engagement, which helps to promote the engagement of our business and stakeholders in sustainable development. In daily operation, the Group proactively practiced the political and people-oriented nature of financial work, continuously improved our professionalism, adhered to the deep integration of our own development into serving the society and people's livelihood, actively developed green finance, continuously improved the service quality, comprehensively strengthened staff management, and earnestly performed our social responsibility, so as to become the positive driver and firm practitioner of the ESG concept with our practical actions.

2.3 Environmental, Social and Governance Task Force

We have established a standardized and orderly ESG governance structure to ensure clear power and responsibilities, and achieve efficient and compliant corporate governance. Under the leadership of the Board of Directors, we have established the Environmental, Social and Governance Task Force (the "ESG Task Force") to be responsible for promoting and implementing various ESG policies, and ensuring the integration of sustainable development concept into our daily operation.

Chapter 11 Environmental, Social and Governance Report

ESG governance structural hierachy	Major duties
Decision-makers (Board of Directors and senior management)	<ul style="list-style-type: none">• to evaluate and identify the Bank's ESG-related risks and opportunities, and determine the Bank's ESG management policies, strategies, plans and objectives;• to establish and supervise the ESG risk management and internal control system;• to regularly review and supervise the ESG performance and target achievement progress;• to review and approve the content of annual ESG reports; and• to delegate authority to the senior management and the ESG Task Force
Organizers (ESG Task Force)	<ul style="list-style-type: none">• to report ESG-related matters and progress to the Board of Directors and senior management in a timely manner;• to coordinate and promote the implementation of various ESG policies by all departments and branches, and monitor the ESG-related works of all departments and branches;• to carry out data collection of ESG-related performance indicators, collection of outstanding cases and other work; and• to collect, understand and respond to the opinions of stakeholders on major ESG issues through appropriate channels
Administrators (relevant departments and branches of the Bank)	<ul style="list-style-type: none">• to promote and implement various ESG-related works in accordance with the Bank's ESG annual work and target requirements;• to collect and report ESG-related management initiatives and performance indicator data; and• to report the work progress to the ESG Task Force in a timely manner

2.4 Communication with Stakeholders

The Group attaches great importance to the main concerns of the stakeholders, and understands the expectations and advice of the stakeholders in detail through comprehensive and transparent communication, and on basis of which, improves the sustainable development strategy and planning. The following sets forth the major communication methods of the Group with substantial stakeholders:

Chapter 11 Environmental, Social and Governance Report

Major stakeholders	Major engagement methods	Major topics concerned
Shareholders/investors	<ul style="list-style-type: none"> Annual general meetings and other shareholders' general meetings Interim reports and annual reports Corporate communications such as letters/circulars to shareholders and notices of meeting Results announcement Shareholders' visits 	<ul style="list-style-type: none"> Steady operation Business growth Investment income Information transparency
Employees	<ul style="list-style-type: none"> Feedback forms and suggestion boxes for employees Work performance appraisal Group discussion Conferences and face-to-face discussion Business presentation Volunteering activities Seminars/workshops/lectures Employees newsletters Employee communication meetings Employee intranet 	<ul style="list-style-type: none"> Occupational safety and health Wage, benefit package of employee Employee sense of belonging Staff development and trainings Business growth Steady operation
Customers	<ul style="list-style-type: none"> Customer satisfaction surveys and feedback forms Customer consultation groups Customer service centers Customer visits Daily operation/interaction Internet service platforms Telephone and mailbox 	<ul style="list-style-type: none"> Customer experience and satisfaction Steady operation Popularise financial knowledge Data privacy protection
Business partners	<ul style="list-style-type: none"> Cooperation projects Visits Seminars 	<ul style="list-style-type: none"> Business ethics Fair and impartial procurement
Government	<ul style="list-style-type: none"> Policy documents and guidance Working conferences Reports Seminars 	<ul style="list-style-type: none"> Steady operation Support private enterprises "Three rurals" service Anti-corruption Participation in social public welfare

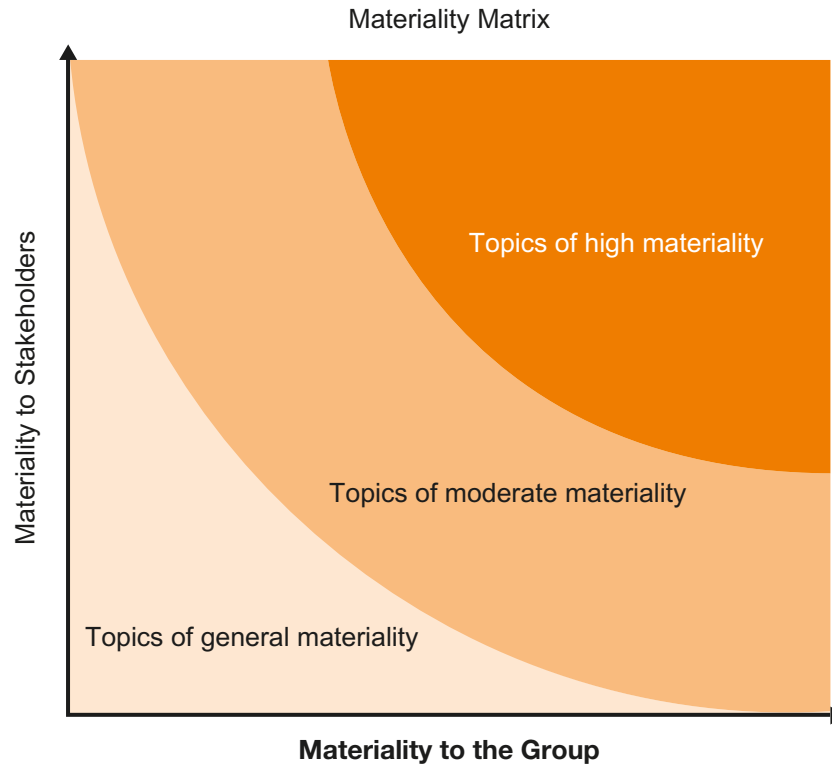
Chapter 11 Environmental, Social and Governance Report

Major stakeholders	Major engagement methods	Major topics concerned
Media	<ul style="list-style-type: none"> • Press release • Senior management interviews • Results announcements 	<ul style="list-style-type: none"> • Compliance operation • Information transparency
Regulatory authorities	<ul style="list-style-type: none"> • Conferences • Written response to public consultation • Compliance reports • Regulatory policies 	<ul style="list-style-type: none"> • Compliance operation • Corporate governance • Green finance • Support private enterprises • “Three rurals” service • Data management
Suppliers	<ul style="list-style-type: none"> • Supplier management procedures • Supplier/contractor assessment systems • Conferences • On-site inspection 	<ul style="list-style-type: none"> • Promote community development • Participation in social public welfare • Environmental protection
Community/non-governmental organizations	<ul style="list-style-type: none"> • Volunteering activities • Donations • Community investment schemes • Community activities 	<ul style="list-style-type: none"> • Promote community development • Participation in social public welfare • Environmental protection
Peers of the financial industry	<ul style="list-style-type: none"> • Strategic cooperation projects 	<ul style="list-style-type: none"> • Business ethics • Fair and impartial procurement

2.5 Materiality Assessment

As the strategic orientation and business development of the Group experience no significant changes during the Year, considering the mutual materiality and influence of various ESG topics to the Group and stakeholders, the results of topics of materiality identified by the Group in 2022 still be applicable in the Year, the priority of topics of materiality has been confirmed by the Board. The Group made references to the materiality database with disclosure obligations under the Guide issued by the Stock Exchange and materiality database of relevant industries of the Sustainability Accounting Standards Board (SASB), and performed interbank benchmarking and considered the Group’s operation, identified the results of 22 material topics, including 10 topics of high materiality, 10 topics of moderate materiality and 2 topics of general materiality, which are disclosed in this Report.

Chapter 11 Environmental, Social and Governance Report



Topics of high materiality

- Compliance operation
- Risk management enhancement
- Customer privacy protection and information safety
- Customer satisfaction and complaint handling
- Service/product quality management
- Employee training and development
- Advocating green operation
- Innovative financial products
- Serving the real economy
- Green finance

Topics of moderate materiality

- Anti-corruption
- Corporate governance
- Labor rights
- Employee health and safety
- Responsible marketing and promotion
- Public welfare and charity
- Promoting financial technology application
- Universal financial knowledge
- Inclusive finance
- Facilitating strategic cooperation

Topics of general materiality

- Sustainable supply chain management
- Dealing with climate change

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3. Legal and Compliance Operation

The Bank regarded compliance operation as an important fundamental guarantee for stable and long-term development, and in strict compliance with relevant laws and regulations and relevant regulatory requirements, established an internal control organizational system through coordination and joint management of the Board of Directors, the Board of Supervisors, senior management and all departments, and continuously strengthened the ability of risk identification and risk control ability. The Bank constantly improved the supervision and review mechanism to ensure the implementation of relevant regulations in place, introduced serious treatment measures for non-compliance, enhanced the compliance management awareness of all employees, and promoted the sustainable development and growth of the Bank.

3.1 Risk Management Enhancement

In strict compliance with regulatory requirements, the Bank has been improving the construction of the “three lines of defense” system, clarifying the risk control responsibilities of various risk management responsible departments and the front, middle and back offices, continuously establishing a risk control system covering the whole process of risk identification, quota management and risk early warning, and effectively improving the risk management ability. In order to ensure the adaptation of risk prevention and control to business development, the Bank has formulated the Provisional Guidelines for Comprehensive Risk Management (《全面風險管理暫行辦法》), the Provisional Guidelines for Risk Appetite Management (《風險偏好管理暫行辦法》), the Management Rules of Major Risk Identification and Assessment (《主要風險識別與評估管理辦法》), the Provisional Rules of Liquidity Risk Management (《流動性風險管理暫行辦法》), the Provisional Rules of Market Risk Management (《市場風險管理暫行辦法》), the Rules of Operational Risk Management (《操作風險管理辦法》) and other major risk management measures, covering all business and operational procedures, making ensure that the matching between risk management and risk exposure.

In daily operation, we paid attention to strengthening the identification, evaluation, reporting and disposal of all kinds of risks, and built an effective comprehensive risk management transmission mechanism. We focused on strengthening credit risk management, firmly grasped the three review works on loans, to ensure the quality of new loans. We strengthened statistical monitoring, made the five-level classification of loans, and improved the level of refinement of asset quality. We coordinated and strengthened the management of liquidity risk, operational risk, market risk, ethic risk, reputation risk and security, and created a safe and stable business atmosphere.

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3.2 Internal Control Management Enhancement

Taking the “Year of Compliance Culture Construction” as an opportunity, we focused on the shortcomings of compliance management, constantly established and improved a long-term compliance management mechanism that combined full process with results and unified form and substance, and continuously consolidated the foundation of internal control and compliance control. We carried out the system governance work, focused on systematic sorting of the rules and regulations of the Bank, and accelerated the revision and improvement according to the latest regulatory provisions and the management requirements of the institutions at an upper level, to further reduce the operational risk caused by the system defects. We have established the regulations database system and realized the standardized management and online education and learning of regulations.

Apart from comprehensive prevention, we strengthened the case risk investigation of key institutions, key business areas and key post personnel, maintained the high-pressure situation of case prevention and eliminated hidden dangers in a timely manner. We printed the case prevention work log of the “top head” of the grass-roots business units, set up the post of compliance case prevention administrator within the Bank, and continuously strengthened the prevention and management of the grass-roots cases. Also, we strengthened the joint prevention and control of “three lines of defense”, regularly held compliance case prevention and analysis seminars, reported existing concerns, analyzed the causes of concerns, put forward rectification requirements in a timely manner, and steadily promoted compliance operation and management improvement.

The Bank actively carried out compliance publicity, organized the business backbones to set up a compliance publicity team, and carried out the activity of “compliance to the grass-roots (送合規到基層)”. We carried out activities such as compliance oath, compliance epigrams collection, compliance slogan publicity, organized all employees to sign compliance commitment letter, held compliance knowledge contests, integrated laws, regulations, rules and policies into daily interaction, combined learning and testing, effectively enhanced the participation of employees, and comprehensively improved their professional quality and compliance awareness. Meanwhile, we incorporated the warning education into daily work focus, prepared the warning education E-book to enable employees to learn through the morning and evening meeting, post training and other carriers, guided employees to develop compliance and disciplined mindset and behavior habits.

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3.3 Integrity Management Enhancement

The Bank deeply implemented the tasks of strict Party self-governance and construction of the Party conduct and clean government, vigorously promoted the good style of “rigor, innovation, meticulousness and honesty”, strictly complied with the relevant provisions of the Constitution of the Communist Party of China (《中國共產黨章程》), the Communist Party of China on Disciplinary Actions (《中國共產黨紀律處分條例》) and other party rules and discipline and relevant laws and regulations, and improved the conduct of Party members and cadres. The Bank organized and carried out six activities including clean government reminder talk, watching warning education film, visiting the clean government education base, responding to questionnaire of strict Party self-governance and clean government, studying the confessions of violence of laws and discipline and studying work style and discipline stories, educated and guided the Party members and cadres of the Group to quit formalism and bureaucracy, continued to vigorously carry out anti-corruption work. During the Reporting Period, all directors, cadres and employees participated in the anti-corruption training for 9,378 hours in total, which effectively enhanced the integrity and self-discipline awareness of the cadres and employees of the Bank.

The Bank continuously strengthened the management system construction, improved the supervision and management system, sorted out and investigated the integrity risk on a case-by-case basis for financial credit approval, material procurement, bidding and other businesses of the Bank, supervised the authorization exercisable scope of the staff at all levels, and signed the honesty and self-discipline letter with leadership, cadres, management personnel, Party members, leadership and cadres who are not Party members level by level. The Bank strengthened staff discipline consciousness, required all staff of the Group maintained honesty and self-discipline, forbidden them to accept rare gift and cash gift, eat and drink using public funds or illegal official reception and other corruption behaviors in the Spring Festival, May Day, Dragon Boat Festival, Mid-Autumn Festival and others, and leadership, cadres and employees are forbidden to organize and participate in “entrance feast (升學宴)”, “thank banquet (答謝宴)” and other recessive corruption activities, and should tighten their mind of anti-corruption. Employees were prohibited to illegally conduct loans, investment, guarantee, financing, settlement, withdrawal and other financial services for relatives and friends. Meanwhile, the Bank vigorously promoted the construction of the internal anti-corruption whistle-blowing mechanism. The informer could make real-name or anonymous whistle-blowing via telephone, email and other channels. According to relevant regulations, we will seriously deal with the parties involved in the verified violations and investigate their responsibilities according to law. During the Reporting Period, we did not be aware of any cases of bribery or corruption against the Group or its employees.

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3.4 Anti-money Laundering and Anti-terrorist Financing Management Enhancement

In accordance with the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Guidelines on Risk Management of Money Laundering and Terrorist Financing for Corporate Financial Institutions (《法人金融機構洗錢和恐怖融資風險管理指引》), the Administrative Measures for Reporting of High-value Transactions and Suspicious Transactions of Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》), etc., the Group formulated the Anti-money Laundering and Anti-terrorist Financing Management Measures (《反洗錢和反恐怖融資管理辦法》), clarified and planned the positions and responsibilities of anti-money laundering and anti-terrorist financing, systematic management responsibilities, data reporting, information work report, froze of terrorism involved assets, document keeping, inspection and examination and related work. The Group always adheres to the behavior prevention as the key point, continuously optimizes the internal control system, and has set up an anti-money laundering leading group to fully implement the anti-money laundering management decisions of the regulatory authorities and the Bank. The Bank takes the business front end and the back end as the two major starting points, makes targeted arrangements, improves the efficiency of anti-money laundering and anti-terrorist financing, and closes the prevention and control loopholes in a timely manner. Also, we will intensify anti-money laundering business training and publicity to improve the compliance and effectiveness of anti-money laundering work.

We always comply with relevant requirements of the Management Measures for the Administration of Currency Identification and Counterfeit Currency Seizure and Authentication (《貨幣鑒別及假幣收繳、鑒定管理辦法》) released by the People's Bank of China, constantly optimize and integrate the business process, make sure the operation is in compliance with relevant regulations. Additionally, we provide regular trainings on anti-counterfeit currency knowledge of Renminbi and major foreign currencies to cash practitioners, to help them improve their ability to counterfeit currency authentication and enhance their awareness of risk prevention.

3.5 Supplier Management Enhancement

The Group has strictly complied with the Law on Tenders and Bids of the People's Republic of China (《中華人民共和國招投標法》), the Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》) and other relevant laws and regulations, followed the principle of openness and transparency, procedure compliance, centralized decision-making, formulated the Administrative Measures for Central Procurement (《集中採購管理辦法》) and other policies to constantly regulate the central procurement of the Bank. During the Year, the Group had 37 major suppliers mainly from Changchun, Beijing, Hangzhou, Hefei, Foshan and Guangzhou, etc. Its procurement includes goods and services such as office furniture and electronic equipment. All suppliers of the Group complied with our practice relating to suppliers.

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To ensure the compliance and effectiveness of the procurement, the Bank has established an effective supplier monitoring system. The Central Procurement Management Committee duly conducts regular inspection on procurement and contract performance and make recommendations for improvement. In case of any violation of laws and disciplines found, we will promptly urge the suppliers to rectify such misconduct. In the event of any action of the suppliers detrimental to the interest of the Bank, we will cease the procurement immediately and reserve the right to hold the suppliers accountable for legal obligations.

Besides, we continuously strengthen the supervision of sustainable supply for suppliers that have been allowed to be access to the supply chain of the Group. Except for fulfilling the standards of business level and product and service quality, the review group forbids all suppliers from using child labor or forced labor, corruption, bribery, money laundering and other illegal crimes or unethical behaviors in any forms; in terms of environmental protection, we promise that all purchased facilities and equipment meet the national basic standards, require suppliers to minimize the negative impact on the environment in the production and operation process, and encourage suppliers to continuously improve their environmental-friendly extent and build a green supply system.

3.6 Intellectual Property Protection Enhancement

The Bank attaches great importance to intellectual property protection, formulated the Genuine Software Management Measures (《軟件正版化管理辦法》) based on relevant regulatory requirements and documents including the Genuine Software Management Guidelines (《正版軟件管理工作指南》) issued by the National Copyright Administration, and formed a leading group on promoting the usage of genuine software to coordinate the promotion of the usage of genuine software, comprehensively manage the operation procedures including software procurement, installation and application, asset management, audit and supervision, and procurement and inspection. During the Reporting Period, no non-compliance event relating to the intellectual property infringement was found by the Group.

We positively apply for, manage and protect the intellectual property rights of the Bank. During the Reporting Period, the Group has maintained 37 registered patents. We closely monitored the infringement in the market and took all necessary measures to prevent any infringement, including trademark counterfeiting, to ensure that our intellectual property rights were not infringed. Besides, we have respected the legitimate rights of others, and resolutely prevented the risk of intellectual property infringement. In this regard, we prohibited employees from using non-genuine software, and regularly organized comprehensive inspection of the use of software. Once intellectual property infringement is found, the Group will immediately urge relevant departments to rectify seriously to ensure that the problems are solved in time. In addition, we also provided staff training on software genuineness to improve their awareness of intellectual property protection.

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4. Provision of Premier Service

The Group adheres to the “customer-centric”, safeguards the legitimate rights and interests of financial consumers, provides customers with professional and human-based financial services, and continuously improves the quality and efficiency of financial services.

4.1 Protection of Consumers' Rights and Interests

The Group strictly abide by the Law on the Protection of Consumers' Rights and Interests of the People's Republic of China (《中華人民共和國消費者權益保護法》), the Guidelines for the Protection of Consumers' Rights and Interests in the Banking Industry (《銀行業消費者權益保護工作指引》), and the Implementation Measures of the People's Bank of China on the Protection of Financial Consumers' Rights and Interests (《中國人民銀行金融消費者權益保護實施辦法》) and other laws and regulations, formulated and implemented the Administrative Measures for the Protection of Consumers' Rights and Interests (《消費者權益保護管理辦法》) and the Administrative Measures on the Review of the Protection of Consumers' Rights and Interests (《消費者權益保護審查管理辦法》), clearly specified the product and service inspection, information disclosure, information protection, complaint handling, staff training and other aspects, dedicated to protect the legitimate rights and interests of customers.

We attached great importance to the advertising management and audit of financial products and services, established the Graded Review Mechanism for Information Release (《信息發佈分級審核機制》), which provides for the strict graded management of information release and external publicity materials, and requires that information and materials quoted in all product information and publicity materials are true and reliable, and without any false or misleading content. Meanwhile, in order to protect the customer's right to know and choose, we formulated the Service Price Management Regulations (《服務價格管理辦法》) and provide relevant service price catalogs or instruction manuals available for inspection by customers at any time at prominent locations in our business premises. Furthermore, we also disclosed service price information through electronic displays or multi-media terminals, ensure that customers could collect required information conveniently and promptly. In order to continuously improve the product and service quality, we established the sound after-sales feedback and evaluation mechanism, and actively collected customers' comments and suggestions on the products and services and the sales process, so as to identify and rectify the issues in a timely manner. During the Reporting Period, the Group did not violate any relevant laws and regulations regarding advertising, labeling and privacy issues and remedies for the products and services provided.

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To ensure the compliance and professionalism in our client services, we explicitly require our staff to strictly comply with national laws and regulations, industry regulatory requirements and the Bank's internal rules and regulations when providing services to clients. Before recommending our products or services to clients, we endeavor to clearly explain to clients the legal, policy and market risks involved and to objectively assess their risk tolerance. We will recommend financial products that match each client's risk tolerance to ensure that the client's interests are maximized and protected. In addition, we strictly prohibit our staff from offering products or services that do not match the risk tolerance level of our clients, and prohibit our staff from engaging in any improper conduct for the purpose of entering into a transaction, including but not limited to concealment of risks, making false or misleading statements, making promises or guarantees in violation of laws and regulations or the Bank's rules and regulations, overstating the returns, or engaging in mandatory transactions.

The Bank actively promotes financial literacy education and staff training, and launches education, publicity and training on a regular basis, to enhance consumers' financial awareness and quality, and to improve staff's awareness and ability to protect consumers' rights and interests, so as to reduce the potential risks at source. In addition, we have established an internal assessment system for the protection of consumer rights and interests, incorporating the results of the assessment into the comprehensive performance evaluation system, and taking punitive measures to hold the relevant personnel accountable for any loss or adverse impact caused to the Bank.

4.2 Efficient Handling of Complaints

The Bank strictly complies with the Regulations on Handling of Consumer Complaints in the Banking and Insurance Industry (《銀行業保險業消費投訴處理管理辦法》), the Implementation Measures of the People's Bank of China on the Protection of Financial Consumers' Rights and Interests (《中國人民銀行金融消費者權益保護實施辦法》), the Guidelines on Protection of Consumers' Rights and Interests in the Banking Sector (《銀行業消費者權益保護工作指引》) and other documents, and has formulated the Emergency Management Measures for Handling Major Consumer Complaints (《重大消費投訴處理應急管理辦法》) and the Management Measures for Handling Consumer Complaints (《消費投訴之處理的管理辦法》) and other policies, established a standardized complaint-handling routine and management mechanism, so as to ensure the smoothness of the customer complaint channel, the efficiency of the handling process, and the satisfaction of the handling results.

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The Bank adheres to the concept of effective communication with clients, promotes the first-inquiry responsibility system, and is responsible for accepting on-site consultation and answering questions at all of its outlets, so as to promptly solve the urgent problems and relevant suggestions of clients. Our customer service hotline provides all-round, round-the-clock and efficient services. Besides, by displaying the complaint handling channels such as phone calls and letters, as well as the complaint process on the official website and online outlets, we have practically achieved “zero distance (零距離)” in accepting customers’ demands. We have differentiated the management of complaints received according to the responsible department and the channel of the complaint, and the handling process includes registering and accepting the complainant’s identity and other information, conducting reassurance, knowing the complainant’s request and the basis of the complaint, and initiating an investigation and verification of the organization or person being complained against. For the substantiated cases, we handle and inform the complainants in a timely manner within the deadline, seek their understanding, and take immediate rectification measures to avoid the recurrence of similar problems. Besides, we also provide training to our staff on consumer complaints to improve efficiency and service quality. During the Year, we received a total of 60 complaints about our products and services, with a 100% resolution rate.

The Group has also organized and established the Financial Consumer Dispute Resolution Committee and formulated the Management Measures for Financial Consumer Dispute Reconciliation (《金融消費糾紛調解管理辦法》) to protect the legitimate rights and interests of financial consumers through the timely, regular and fair reconciliation of financial consumer disputes by means of temporary authorization, off-site authorization and fast approval.

4.3 Protection of Information Security

The Group has long been committed to safeguarding network information security and data privacy. In conjunction with laws and regulations such as the Commercial Bank Law of the People’s Republic of China (《中華人民共和國商業銀行法》) and the IT Risk Management Guidelines for Commercial Banks (《商業銀行信息科技風險管理指引》), the Group has formulated and implemented a series of regulations to protect the processes of data storage, reading, transfer and destruction, such as the Regulations on Network Security Management (《網路安全管理規定》), the Regulations on Terminal Equipment Management (《終端設備管理辦法》), the Data Governance Strategy (《資料治理戰略》) and the Regulations on Data Backup Management (《資料備份管理規定》). We have raised the awareness of information security of its employees and ensured the secure flow of information and customer data throughout the life cycle of the Bank. During the Reporting Period, the Group did not receive any complaints or lawsuits regarding data protection.

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Equipment and Premises

The technology and information department is responsible for formulating the planning and utilization principle of the Bank's terminal equipment, formulating the usage rules and security management regulations, including the planning and construction of server rooms according to the level of importance of the network equipment, as well as the designation of security zones for the server rooms. We also have equipment custodians, network coordinators and operation and maintenance personnel to maintain systems and handle equipment failures in a timely manner. Besides, we manage the equipment rooms by registering personnel, placing fire extinguishers appropriately, and conducting regular inspections. Through behavioral regulations, we minimize the security risks of our equipment sites and avoid any loss of our property.

Data and Confidentiality

The Group has formulated and implemented systems such as the Regulations on the Management of Data Backup (《數據備份管理規定》) and the Regulations on the Management of Scientific and Technological Information Documents (《科技信息檔案管理規定》) to implement hierarchical management of data assets, with due consideration given to the confidentiality, integrity and availability of data, and to assess the information from four perspectives, namely, national security, public rights and interests, personal privacy and the legitimate rights and interests of the enterprise, so as to realize orderly information management. We categorize IT files for storage and management, strictly examine and approve borrowing applications and limit the borrowing scope, and destroy expired and obsolete materials after appraisal and approval. We have strengthened the backup and management of the Group's data, and approved and registered the access rights to backup data to ensure the security of the Group's database. In addition, we have also prepared the Emergency Response Plan for Critical Information System Incidents (《重要信息系統突發事件應急預案》), which classifies critical information system incidents with identified risks into incident levels, formulates corresponding disposal procedures, and organizes regular rehearsals of the plan to ensure prompt and effective response in the event of a real incident so as to minimize the impact of information security incidents on business operations.

Management and Training

We required relevant staff to sign the Personal Financial Information Confidentiality Undertaking for Critical Positions (《重要崗位個人金融信息保密承諾書》) and implemented a license management policy to restrict access to different staff positions and responsibilities. A standby system has been established for staff in key positions, requiring them to strictly observe the confidentiality discipline both during and after their employment. Once a staff member in a key position is transferred out of his/her position, we will promptly change his/her password on the network management system, log out of his/her account and revoke his/her authorization. Besides, we regularly carry out various forms of security education and organize different levels of security technology training classes and emergency drills. We set up network system administrators to check equipment and system logs regularly so as to control and eliminate security flaws and loopholes in a timely manner.

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4.4 Popularization of Financial Knowledge

The Group has formulated the Administrative Measures for Publicizing and Educating Consumers on Financial Knowledge (《消費者金融知識宣傳教育管理辦法》) and, in accordance with regulatory requirements, has established and improved a long-term mechanism for publicizing and educating financial consumers that is diversified in form, rich in levels and focused on practical effects. We have continuously explored and produced excellent comics, videos, graphics and other popular and easily acceptable publicity works. In the “3•15 Financial Consumer Rights Day and Publicity and Education Week (3·15金融消費者權益日和宣傳教育周)”, “Financial Literacy Journey (金融知識萬里行)” and “National Anti-fraud Month (全民反詐宣傳月)” and other thematic publicity activities, we have launched a series of new forms of publicity activities that are entertaining and educational. Besides, we have increased our efforts to publicize and educate specific groups of people, such as “the old, the young, the new (一老一少一新)”, to strengthen the risk awareness and responsibility of specific groups of people, and to effectively enhance the quality and effectiveness of financial literacy education and publicity work.

5. Strengthening Talent Support

The Group has always insisted on promoting corporate development through the advancement of talents, and is committed to continuously recruiting outstanding talents to join its team, creating a diversified, harmonious and healthy working atmosphere and environment, providing clear and fair training and promotion channels, offering market-competitive welfare benefits, and safeguarding the basic rights and interests of its employees. During the Year, the Group's workforce totaled 6,687, of which 3,086 were male and 3,601 were female.

5.1 Strengthening Talent Management

The Bank strictly complies with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other laws and regulations, formulates and implements the Employee Management Measures (《員工管理辦法》), the Recruitment Management System (《招聘管理制度》) and other regulations, introduces and popularizes the relevant policies through the Employee Handbook (《員工手冊》), and carries out various measures to protect the rights and interests of employees.

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Equal and Diverse Recruitment

The Group is committed to equipping a team of high-quality and practical talents for the goal of “a first-class modernized and branded rural commercial bank in China (國內一流的現代化、品牌化農商銀行)”, and has formulated and implemented the Provisional Measures for the Management of the Admission of Professional Talents (《引進專業人才管理暫行辦法》) to continuously attract high-level financial talents. To this end, we have practiced the principle of equal employment and continuously broadened our recruitment channels by conducting unified open recruitment through multiple channels such as the third-party platform, new media, and university platforms, etc. We have committed not to use factors such as gender, nationality, race, age, and marital status as selection criteria in the recruitment process, but rather to focus on the examination of indicators such as the overall standard, position suitability and professional competence, so as to promote the establishment of an equal and diversified workplace.

The Bank values gender diversity in its employees. As of the end of the Reporting Period, the proportion of male and female employees (including senior management) of the Bank was 46.15% and 53.85%, respectively. The Board is satisfied with the gender diversity of employees (including senior management) of the Bank. The Bank will continue to implement measures to support gender diversity in employees.

Employment in Compliance with the Law

The Group proactively establishes labor relations in accordance with the law and resolutely eliminates child labor and forced labor. Our audit department strictly examines the identity information, age, job qualifications and other necessary conditions of all applicants and refuses to employ applicants who do not meet the job qualifications. The Bank implements a system of 8 hours per day, 40 hours per week on average and flexible office hours, and adopts a comprehensive calculation of working hours and an irregular working hours system to meet the needs of flexible office hours due to the special nature of the positions and business needs, and avoids the use of unethical or unlawful means of compelling employees to work by duress. In addition, for employees who intend to leave their jobs or who are dismissed due to the losses caused to the Bank as a result of their personal violations, we conduct the approval process strictly in accordance with the labor contracts entered into and the procedures for termination of employment set out in the Employee Handbook (《員工手冊》), to ensure that all the processes are in compliance with the relevant laws and regulations, and to safeguard the legitimate rights and interests of both the employees and the Bank. The Group will impose internal penalties in the event of any violation or any non-compliance with labor laws and regulations. During the Reporting Period, the Group did not have any non-compliance cases related to employment, child labor or forced labor, nor did it have any non-compliance cases related to equal opportunity, diversity and anti-discrimination.

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Improvement of Compensation and Benefits

In order to attract more excellent talents to join our team, optimize our talent structure and motivate our talents to make progress, we continue to improve a series of remuneration and benefit policies to share the fruits of corporate development with our employees.

In terms of welfare, the Group provides full-time employees with various welfare benefits, such as “five insurances and two funds (五險二金)”, i.e., pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing provident fund and enterprise annuity. Besides, we have established a long-term incentive mechanism by implementing and formulating the Enterprise Pension Program (《企業年金方案》) to address the concerns of retired employees. We promoted the implementation of the Provisional Measures for the Administration of Supplementary Medical Insurance (《補充醫療保險管理暫行辦法》), and paid supplementary medical insurance for regular employees (including serving employees and retirees) who have joined and paid the full amount of basic medical insurance premiums of their respective localities, so as to continuously improve the standard of medical protection for serving employees and retirees.

In terms of holidays, in addition to the national statutory holidays, the Group provides employees with welfare leaves such as casual leave, sick leave, marriage leave, bereavement leave, maternity leave and birth leave. In order to cater to the needs of female employees, we also provide breastfeeding breaks for our employees who are mothers with babies under the age of one year, demonstrating the Group’s care for mothers in the workplace.

In terms of performance bonuses, the Group formulated and implemented performance appraisal methods for each line and business category, and conducted a comprehensive assessment of the performance of our employees, taking into account factors such as the Bank’s operating conditions and the actual situation of our employees, to determine the payment of bonuses, thereby mobilizing the subjective motivation of our employees.

5.2 Promotion of Talent Development

The Group attaches great importance to the cultivation and development of talents and continuously promotes the education and training of its employees, encouraging them to make progress together with the Company. Following the principle of “classified training, tailor-made education and focus on effectiveness (分類培訓、按需施教、注重成效)”, and through centralized training, overseas training, departmental training, exchanges and seminars, and employee self-learning, the Group promotes the implementation of training plans in various aspects such as party politics, professional ethics, practical skills and management ability, and conducts timely assessment and feedback to ensure the effective implementation of relevant training and education work. During the Year, we organized 40 offline training sessions, with a total of over 6,500 trainees, and 41 online training sessions, with a total of over 12,200 trainees.

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The Bank continues to promote talent cultivation projects such as the “Hundred Talents Cultivation Project (百名英才培育工程)” and the “Young Eagle Project (雛鷹工程)” to facilitate the development and progress of reserve talents, and to cultivate composite talents in accordance with the characteristics of their positions in an echelon manner. We have actively created special training programs such as the “Jilin Rural Credit Lecture Hall (吉林農信大講堂)”, “Launching Class (啟航班)”, “Leadership Class (領航班)” and “Sailing Class (遠航班)”, with more than 430 participants in the Year, and dispatched 11 highly-educated business leaders to cooperate with the Jilin Rural Credit Union Federation in the construction of the “Spark Training Camp (星火訓練營)” project, recommended 81 employees to join the “Implementation Plan for the Construction of Professional Talent Pool (專業人才庫建設實施方案)”. In addition, we actively promoted the “Incentive Class (勵志班)” and “Order Class (訂單班)” projects in cooperation with Changchun Higher Institute of Finance, with a total of 17 trainees completing their study programs and taking up their jobs, and 38 trainees entering a new stage of their studies during the Year.

In order to select a team of highly qualified cadres who are dedicated to their jobs and have both integrity and competence, we formulated the “Guidelines for the Implementation of Cadre Competitions for Appointment (《幹部競聘上崗實施指導意見》)” to clarify the standards and procedures for the selection and appointment of cadres. We have introduced democratic assessment and staff talks to evaluate cadres in terms of ethics, competence, diligence, performance and integrity, as well as implemented a tenure target assessment and annual appraisal system to ensure that the quality and capability of the cadre team matches our development needs and to provide solid talent protection for stable operation and sustainable development.

5.3 Emphasis on Employee Health and Safety

Occupational health and safety is an important foundation for employees’ ease and smooth work. The Group attaches great importance to the physical and mental health of its employees and strictly complies with the Occupational Disease Prevention and Control Law (《職業病防治法》), the Work Injury Insurance Ordinance (《工傷保險條例》) and other laws and regulations. The Group has formulated and implemented systems such as the Provisional Measures for the Management of Employee Health Examinations (《員工健康體檢管理暫行辦法》), the Management Regulations for Safety and Security Work (《安全保衛工作管理規定》) and the Disposal Preliminary Plans for Unforeseen Safety Incidents (《突發安全事件處置預案》). The Group also conducts health education training on a regular, random and staged basis to help employees understand the relevant laws and regulations, basic knowledge and technical methods of safety management, and conducts safety education and prevention inspections from time to time to consolidate the results of the training. The Group also arranges annual health check-ups for its employees so that they can choose the appropriate health check-up program according to their needs, detect health risks and treat diseases as early as possible.

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In addition, the Group attaches great importance to the safety and comfort of the working environment of its employees. The Group has formulated and implemented the Regulations on the Management of Safety and Prevention during Business Operation (營業期間安全防範管理規定), the Regulations on the Management of Safety and Security Work (安全保衛工作管理規定) and the Regulations on the Management of Fire Safety (消防安全管理辦法), etc., to avoid in advance the risks that may arise in different lines of the Group's business and the workplace. The Group also arranges for specialists to carry out safety risk inspections on a regular basis, and urges timely rectification of the risks and hidden dangers. During the Reporting Period, the Group did not receive any complaints and lawsuits relating to breaches of health and safety related laws and regulations, and there were no cases of work-related fatalities in the past three years.

6. Fulfillment of Social Responsibilities

The Group has always adhered to the concept of “finance for the people (金融為民)”, continuously improved its service system and extended the depth of its services, served the real economy, promoted rural revitalization, practiced inclusive finance and green finance, and actively carried out public welfare and charity work to promote common prosperity, thereby demonstrating its responsibility and commitment as a major force in local finance through practical actions.

6.1 Serving Rural Revitalization

On the basis of steadily promoting whole village credit, the Group has focused on key areas such as the “hundred billion kilograms of cereals (千億斤糧食)” and “ten million cows (千萬頭肉牛)” projects, and innovatively launched the “cereals bank (糧食銀行)” service model and the “Jiu Mu Bao (九牧寶)” live collateralized loan business, effectively meets the financial needs of new agricultural business entities and individual farmers. In addition, we proactively contacted the government and regional segments, introduced credit-enhancing mechanisms such as the government and guarantee companies, improved products such as “Nong Chang Bao (農場寶)” and “Nong Dan Bao (農擔寶)”, and explored the model of “bank + government + enterprise”, “bank + guarantee company + farmer”, “bank + credit village + farmer”, to provide strong support to key clients such as high-quality leading enterprises and agricultural industrialization consortiums, and to provide full support for the production and supply of important agricultural products such as “rice bag (米袋子)”, “vegetable basket (菜籃子)”, as well as rural specialties such as nursery trees and flowers and agricultural product processing, so to empower the revitalization of industries. The Group actively utilizes technology to empower the industry, and has been promoting the “Ji Xin Nong e Loan (吉信農e貸)” project and strengthening the marketing of the “Nong Ji Loan (農機貸)” online business, so as to provide convenient financial services within reach. We also launched regular activities in villages and households to help farmers make better use of financial resources to increase their income and become rich.

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6.2 Financial Assistance to Enterprises

Adhering to its market positioning and focusing on its main responsibilities and businesses, the Group has focused on the provincial high-quality development strategy of “One Main, Six Duals” and closely followed the industrial chains of “Six New Industries” and “Four New Facilities”, and integrated and launched 27 loan products under three major categories of “Jiushang • Jiuhui (九商•久惠)”, “Jiushang • Fuwei (九商•扶微)”, “Jiushang • Yunong (九商•裕農)” to provide targeted services to micro-, small and medium-sized enterprises in the region. The Group also promoted the “Spring Breeze Action for the Development of Private Enterprises and Promotion of Jilin’s Revitalization (助力民企發展促進吉林振興春風行動)” and “Thousands of Presidents Visit Ten Thousand Enterprises (千名行長進萬企)” to enhance the standard of our comprehensive financial services.

6.3 Inclusive Finance

The Group has accelerated the pace of network transformation and established a multi-level inclusive financial services network comprising business outlets, convenient service stations, self-service machines and mobile service terminals. The Group has also taken concrete steps to promote retail transformation by actively launching the “Seven Steps (七走進)” marketing campaign, insisting on a small and diversified service, and practically reducing the cost of financial services for customers by lowering the interest rate for loans and waiving the handling fee. The Group has launched a series of activities to help consumers with financial services, and has collaborated with governments, labour unions and shopping malls at all levels to launch subsidy activities such as “consumption allowance (消費滿減)” and “shopping discounts (購物優惠)”, so as to provide customers with practical benefits. The Group has deeply carried out the “Party Building + Finance (黨建+金融)” project by assigning financial experts to villages to promote financial knowledge and explore financing needs, so as to practically promote the organic integration of financial talents and the rural revitalization.

6.4 Charity Development

Since our establishment, we have donated more than RMB150 million to earthquake victims, flood victims, pandemic prevention and control, and disadvantaged groups. We have set up the “Jiutai Rural Commercial Bank Charity Fund (九台農商銀行愛心基金)” with an annual amount of RMB5 million in Changchun Charity Association and Jilin Charity Federation respectively, and continued to carry out a number of charitable projects such as assisting students, caring for the elderly, assisting the disabled, assisting the medical profession, and assisting the needy. We also organized branches to carry out activities such as “I do practical things for the public (我為群眾辦實事)” and “little wishes (微心願)”, and made great efforts to solve the “urgent, difficult, worrying and hopeful (急難愁盼)” problems of the public. The “red heart (紅心)” party member volunteer service team and the “Jiutai RCB Love Community (九商愛社區)” volunteer service team were set up to provide warm-hearted services to the community by launching volunteer service activities focusing on inclusive finance, helping the one in difficulty and the needy, caring for the elderly and children, and environmental protection.

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7. Building a Green Bank

The Group actively implements the national “carbon peak” and “carbon neutrality” strategies, practically establishes the concept of green development, continuously improves the green financial management system, improves green financial products and services, and continuously regulates green and low-carbon offices, making positive contributions to the promotion of the low-carbon transformation of the economy and society.

7.1 Development of Green Finance

The Bank actively supports environmentally friendly financing needs. The Bank promulgated the Green Credit Management Measures (《綠色信貸管理辦法》), applying the concept of “green finance” to the rural revitalization and entities support, and empowering the high-quality development of the green economy from various perspectives and in various fields. On the one hand, we tilted credit resources towards green industries, with focus on supporting new energy, renewable energy, biomedicine, pollution control, black land protection, energy-saving building materials and other low-carbon industries; on the other hand, we actively assisted in the improvement of the ecological environment of the countryside, and selected ecological tourism agriculture, green organic agriculture, green agricultural brands, green technology agricultural patents, and rural culture and tourism brands in accordance with local conditions and gives them a tilted credit policy. Besides, the Bank accelerated its innovation in credit products and modes by launching a number of special financing products such as pledge of intellectual property rights, pledge of warehouse receipts, pledge of accounts receivable, etc., as well as innovating the service modes of “land bank (土地銀行)” and “forest bank (森林銀行)” to realize simultaneous development of rural revitalization and green finance.

7.2 Promotion of Low-Carbon Environmental Protection

On the basis of strict compliance with the Air Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國大氣污染防治法》), the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People’s Republic of China (《中華人民共和國節約能源法》) and other relevant laws and regulations of the PRC, the Group has been practicing energy conservation and emission reduction in various aspects to enhance the environmental friendliness of the Bank. We set four environmental targets in the areas of greenhouse gas emissions, energy efficiency, water efficiency and waste management. During the Year, we have reviewed and examined the progress of the implementation of the targets and environmental protection measures and confirmed that the environmental targets are applicable to the Year and we will continue to plan our environmental protection work in the coming year. During the Reporting Period, the Group did not have any material environmental non-compliance.

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GHG emission targets	To maintain or reduce GHG emissions at similar operational levels in the future.
Energy efficiency targets	To maintain or reduce electricity consumption at similar operational levels in the future.
Water efficiency targets	To maintain or reduce water consumption at similar operation levels in the future.
Waste management targets	To maintain or reduce waste generation at similar operational levels in the future.

As part of the financial industry, we have limited direct impact on the environment and natural resources. Our environmental responsibilities are primarily reflected in our day-to-day use of electricity, management of water resources, consumption of office supplies, waste disposal and use of Group's vehicles. In our business operations, we strive to minimize negative impacts on the environment and natural resources and to achieve continuous improvement in our environmental performance.

Energy Conservation and Emission Reduction Management

In terms of GHG emissions, the Group's GHG emissions are mainly from fuel consumption of its vehicles and fuel consumption of fixed equipment (Scope 1) and electricity consumption during business operations (Scope 2). In order to reduce GHG emissions, we monitor each emission source, and identify more opportunities for energy conservation and emission reduction. Besides, we manage boiler equipment and business vehicles, regularly maintain vehicles and encourage employees to prioritize taking public transportation for travel.

We conducted GHG emission audit for 36 companies under the Group, including the Bank and 35 subsidiaries, in accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) prepared by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 formulated by the International Organisation for Standardization. During the Year, the Group's total GHG emissions amounted to 7,117.30 tonnes of CO₂e, representing a slight decrease as compared to last year. The target for the Year was progressing smoothly. During the Reporting Period, the summary of the GHG emissions is as follows:

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GHG Emissions¹	Unit	2022	2023
GHG Emissions			
Direct GHG emissions (Scope 1)	Tonnes of CO ₂ e	570.74	566.45
Indirect GHG emissions (Scope 2)	Tonnes of CO ₂ e	6,581.52	6,550.85
Total GHG emissions (Scope 1 and 2)	Tonnes of CO ₂ e	7,152.26	7,117.30
GHG Emissions Intensity			
Per square meter (Scope 1 and 2)	Tonnes of CO ₂ e/square meter	0.02	0.02
Per employee (Scope 1 and 2)	Tonnes of CO ₂ e/employee	1.08	1.06

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Group, including fuel consumed by vehicles of the Group.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Group, including electricity consumed during office hours of the Group.

During the Year, the Group's total electricity consumption was 11,486.67 MWh, which was approximate to the consumption of last year. The target for the Year was progressing smoothly. The table below indicates our electricity consumption:

Total electricity consumption	Unit	2022	2023
Total electricity consumption	MWh	11,327.92	11,486.67
Total electricity consumption intensity (per square meter)	MWh/square meter	0.03	0.03
Total electricity consumption intensity (per employee)	MWh/employee	1.72	1.72

In terms of energy use, electricity is our main source of energy and also a source of GHG emissions (Scope 2). As the Group mainly conducts business in office, we are guided by office energy conservation and actively improve energy efficiency, including electricity optimization measures covering areas such as air conditioning systems, lighting systems and electronic equipment.

¹ The data were calculated based on the emission factor in the "Appendix 2: Reporting Guidance on Environmental KPI" issued by the Hong Kong Stock Exchange, subject to rounding adjustments.

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In terms of air-conditioning systems, we set the indoor temperature between 25 and 26 degrees Celsius, and adopt central control and monitoring system or building management system to meet the basic needs for indoor temperature. Regular inspections, maintenance and cleaning are carried out to ensure the effectiveness of the air-conditioning systems. We also use a variable refrigerant flow system to optimize the refrigerant flow, and install seals on the doors and windows to prevent the temperature-adjusted air from leaking and reduce the energy consumption of the air conditioning systems.

In terms of lighting systems, we prioritize using daylight, and reduce reliance on the use of electric lights. Additionally, we reduce the number of lamps in the areas with excessive brightness, and divide offices into different zones with independently controllable lighting switches. For infrequently used areas, we have installed motion sensors and asked employees to turn off lights when the office is not in use to further reduce energy consumption.

In terms of electronic equipment, we choose products with high energy efficiency certification and enable power saving mode. For example, computers and printers can be automatically switched to standby or sleep mode when they are idle. Besides, we also adopt multifunctional electronic equipment, such as the equipment that integrates printing and copying functions, to reduce the use of single high energy consumption equipment.

Water Saving Management

We conserve water and require our employees to adhere to the principles of rational use and elimination of waste. The Group has implemented a series of measures to improve resource efficiency, and continuously monitors the Bank's water use performance by regularly inspecting water meter readings. We promote proper water consumption practice among employees. Water saving slogans are posted in toilets. Besides, we also test hidden water pipes and inspect water meter readings regularly. Water pipes would be repaired immediately once problems are identified.

Domestic water is supplied by the public fresh water network in respective locations, and there is no problem in obtaining water sources. Our total water consumption in operation was 94,825.71 cubic meters during the Reporting Period, which was approximate to the consumption of last year. The target for the Year was progressing smoothly. The table below indicates our water consumption:

Water consumption	Unit	2022	2023
Total water consumption	Cubic meters	93,057.62	94,825.71
Total water consumption intensity (per square meter)	Cubic meters/square meter	0.27	0.28
Total water consumption intensity (per employee)	Cubic meters/employee	14.09	14.18

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Waste Management

The Group is well aware of the impact of waste on the environment and is committed to minimizing the generation of waste during operation. In order to achieve the resource utilization of waste, we have developed relevant measures and procedures to dispose non-hazardous and hazardous waste properly. The non-hazardous and hazardous waste generated by the Bank is properly collected and sorted, and we place waste sorting and recycling bins in the office and strengthen waste sorting publicity. To reduce the waste generation, we reduce the use of disposable and non-recyclable products, and encourage employees to reuse envelopes, folders, file cards and other stationery. When purchasing office supplies, we regularly take inventory of supplies consumption, and reasonably assess the consumption of supplies based on actual needs, to avoid overstock and reduce waste. In respect of hazardous waste, the Group has established a scrapping approval team and disposes of electronic waste in accordance with the Administrative Regulations on Computer Equipment (《計算機物品管理規定》). The team is responsible for reviewing scrapping application and dealing with waste in accordance with the requirements for scrapping management. In case of any computer malfunction, the team will assess the feasibility of repair or modification, and prepare a test report based on estimated repair cost. We will first consider reusing suitable electronic parts, and the Information Technology Department and relevant departments will jointly determine whether the computers are eligible for scrapping. If criteria of scrapping are fulfilled, we will collect and recycle obsolete computers or other electronic waste through cooperation with electronic companies.

During the Reporting Period, the Group disposed of 45.78 tonnes of non-hazardous waste in total, and the intensity was 0.01 tonnes per employee, which was approximate to the generation of last year. The target for the Year was progressing smoothly. The table below indicates our waste disposal:

Non-hazardous waste	Unit	2022	2023
Non-hazardous waste	Tonnes	44.69	45.78
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.01	0.01

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Moreover, we actively promote paperless office, and built a adopting office automation system (OA system) that integrates functions such as process management, centralised processing of office business and real-time processing of document information based on office informationisation in the Bank. We utilise electronic communication technology as much as possible to transmit information to reduce paper usage and reduce printing paper consumption. We have posted notices prominently next to copiers or printing machines to remind employees to adopt double-sided photocopying or use recycled paper. If internal documents need to be printed, we will use recycled paper or printing paper containing recycled materials and promote double-sided printing. In addition, the Group provides various electronic service channels such as online banking, mobile banking and WeChat banking, and issues electronic bills and electronic publications instead of mailed bills and physical promotional publications, to further reduce paper consumption. During the Reporting Period, the Group consumed a total of 43.73 tons of paper, and the intensity was 0.01 tonnes per employee, which was approximate to the consumption of last year. The table below indicates our paper consumption:

Paper consumption	Unit	2022	2023
Total paper consumption	Tonnes	42.95	43.73
Total paper consumption intensity (per employee)	Tonnes/employee	0.01	0.01

7.3 Responding to Climate Change

The Bank strictly implements the national strategic orientation and contributes to the national goal of “carbon peak and carbon neutrality”. The Bank is also continuously increasing efforts to open up in response to the transformation of green finance, and improving the level of environmental risk management through proactive information disclosure system. In order to continuously improve our climate change risk management capability, we have conducted climate change risk identification and impact assessment on the Group’s business in accordance with the Guidelines on Climate Information Disclosure prepared by the Stock Exchange. During the Year, we identified physical and transitional climate risks, and further identified climate related opportunities. In the future, we will continue to identify potential risks posed by climate change risks to the Bank’s businesses, and develop adaptive capabilities to flexibly respond to climate events.

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	Identified climate risk	Potential Impact	Current measures to mitigate risks
Physical risk	<p>Cyclone</p> <p>Extreme high temperature</p> <p>Urban flooding</p>	<ul style="list-style-type: none"> Infrastructure and facilities will be damaged Operating costs will increase due to maintenance of damaged facilities 	<ul style="list-style-type: none"> Provide disaster response training and escape drills to employees Carry out on-site safety management, pay attention to weather changes in a timely manner, stop corresponding construction in a timely manner, and transfer personnel and equipment to a safe place
Transitional risk	<p>Policy and regulatory risk:</p> <p>Report disclosure compliance risk</p>	<p>The Bank may be subject to penalties for non-compliance</p>	<ul style="list-style-type: none"> Track the latest laws and regulations related to climate change and integrate them into management strategies Pay close attention that whether relevant government departments have issued new regulations and rules. Actively adjust the operation mode of enterprise and shift towards low-carbon and environmental protection, so as to meet the future development direction of government planning.
	<p>Market risk:</p> <p>Changes in consumer preferences, climate policies and other factors will affect investment levels</p>	<p>Failure to achieve effective feedback to stakeholders may affect investor decisions, which in turn may decrease product demand or affect investments</p>	<ul style="list-style-type: none"> Explore carbon finance product innovation and study the value of carbon credits Identify, utilise and manage carbon finance products in accordance with the standards issued by the regulatory authorities

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Identified climate risk	Potential Impact	Current measures to mitigate risks
<p>Technical risk: In case of green loan, banking staff are not aware of green technologies in other industries</p>	<p>If banking personnel have insufficient understanding of emerging green technologies, it may affect the development of credit business</p>	<ul style="list-style-type: none"> • Establish a list of industries with high transitional risks (high carbon emission/high pollution) • Participate in green finance training and carbon accounting training
<p>Credit risk: The customer's business operations and asset value are subject to increased risks due to climate change and extreme weather, which indirectly affects the Bank's credit risk</p>	<p>The decrease in customer debt repayment ability will lead to an increase in credit risk</p>	<ul style="list-style-type: none"> • For high-risk industries that are susceptible to climate impact, other guarantees can be granted to diversify risks • Conduct industry research, and analyze the climate risk situation and opportunities of various industries

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Appendix I: Sustainability Data Statements

Indicators	Unit	2023 ²
Environmental Aspect		
Emissions		
Nitrogen oxides (NOx)	Kg	1,097.75
Sulphur oxides (SOx)	Kg	2.03
Particulate matter (PM)	Kg	105.19
GHG Emissions		
Direct GHG emissions (Scope 1)	Tonnes of CO ₂ e	566.45
Indirect GHG emissions (Scope 2)	Tonnes of CO ₂ e	6,550.85
Total GHG emissions (Scope 1 and 2)	Tonnes of CO ₂ e	7,117.30
Intensity of GHG emissions		
Per square meter (Scope 1 and 2)	Tonnes of CO ₂ e/square meter	0.02
Per employee (Scope 1 and 2)	Tonnes of CO ₂ e/employee	1.06
Energy consumption		
Total energy consumption	MWh	13,097.71
Total energy consumption intensity (per square meter)	MWh/square meter	0.04
Total energy consumption intensity (per employee)	MWh/employee	1.96
Total electricity consumption	MWh	11,486.67
Total electricity consumption intensity (per square meter)	MWh/square meter	0.03
Total electricity consumption intensity (per employee)	MWh/employee	1.72
Gasoline	Tonnes	101.51
Diesel	Tonnes	0.04
Natural gas	Cubic meters	29,047.82
Water consumption		
Total water consumption	Cubic meters	94,825.71
Total water consumption intensity (per square meter)	Cubic meters/square meter	0.28
Total water consumption intensity (per employee)	Cubic meters/employee	14.18
Hazardous waste		
Toner cartridges used	Unit	545
Intensity of toner cartridges used	Unit/employee	0.08
Ink cartridges used	Unit	503
Intensity of ink cartridges used	Unit/employee	0.08
Printers used	Unit	19
Intensity of printers used	Unit/employee	0.003
Computers used	Unit	27
Intensity of computers used	Unit/employee	0.004
Toner cartridges recycled	Unit	545
Ink cartridges recycled	Unit	503
Printers recycled	Unit	19
Computers recycled	Unit	27

2 Data have been subject to rounding adjustments.

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Indicators	Unit	2023 ²
Non-hazardous waste		
Total non-hazardous waste	Tonnes	45.78
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.01
Paper consumption		
Total paper consumption	Tonnes	43.73
Total paper consumption intensity (per employee)	Tonnes/employee	0.01
Social Aspect		
Employees		
Total number of employees	Number of employees	6,687
By gender		
Female employees	Number of employees	3,601
Male employees	Number of employees	3,086
By position³		
Junior employees	Number of employees	5,373
Middle management	Number of employees	1,027
Senior management	Number of employees	287
By age group		
Employees aged under 30	Number of employees	1,689
Employees aged between 30 to 50	Number of employees	4,495
Employees aged above 50	Number of employees	503
By geographical location⁴		
Employees from northern China	Number of employees	703
Employees from northeastern China	Number of employees	5,330
Employees from eastern China	Number of employees	128
Employees from central China	Number of employees	106
Employees from northwestern China	Number of employees	47
Employees from southern China	Number of employees	373
Employee turnover rate⁵		
Total turnover rate	%	1.78
By gender		
Female employees	%	1.61
Male employees	%	1.98
By age group		
Employees aged under 30	%	0.92
Employees aged between 30 to 50	%	1.54

³ The Group did not have part-time employees

⁴ Calculated according to their place of work

⁵ Turnover rate in that category = Number of resigned employees in that category ÷ total number of employees in that category at the end of the year × 100%

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Indicators	Unit	2023 ²
Employees aged above 50	%	1.39
By geographical location⁴		
Employees from northern China	%	0.99
Employees from northeastern China	%	1.63
Employees from eastern China	%	10.16
Employees from central China	%	2.83
Employees from northwestern China	%	0
Employees from southern China	%	2.41
Health and safety of employees		
Number of work-related fatalities occurred in each of the past three years including the Reporting Year	Number of employees	0
Rate of work-related fatalities occurred in each of the past three years including the Reporting Year	%	0
Lost days due to work injury	Number of days	4
Development and trainings of employees		
By gender		
Percentage of female employees trained ⁶	%	96.17
Percentage of male employees trained ⁶	%	96.14
Average training hours per female employee ⁷	Hour	98.56
Average training hours per male employee ⁷	Hour	97.34
By postion³		
Percentage of junior employees trained ⁶	%	99.48
Percentage of middle management trained ⁶	%	86.08
Percentage of senior management trained ⁶	%	70.03
Average training hours per junior employee ⁷	Hour	140.21
Average training hours per middle management ⁷	Hour	108.45
Average training hours per senior management ⁷	Hour	76.76
Summary of operation		
Distribution of suppliers		
Total number of suppliers	Number of suppliers	37
Mainland China	Number of suppliers	37
Hong Kong	Number of suppliers	0
Overseas	Number of suppliers	0

6 Calculated by the number of employees trained in that category ÷ the total number of employees in that category at the end of the year x 100%. The training data is calculated based on the cumulative number of employees participating in trainings

7 Calculated by the total training hours of employees in that category ÷ the total number of employees in that category at the end of the year

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Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Indicators		Chapter	
A. Environmental Aspect			
A1: Emissions	General disclosure	Information on the: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.	7. Building a Green Bank
	A1.1	The types of emissions and respective emissions data.	7.2 Promotion of Low-Carbon Environmental Protection Appendix I: Sustainability Data Statements
	A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Promotion of Low-Carbon Environmental Protection Appendix I: Sustainability Data Statements
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Promotion of Low-Carbon Environmental Protection Appendix I: Sustainability Data Statements
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Promotion of Low-Carbon Environmental Protection Appendix I: Sustainability Data Statements
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	7.2 Promotion of Low-Carbon Environmental Protection
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.2 Promotion of Low-Carbon Environmental Protection

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Indicators		Chapter	
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Promotion of Low-Carbon Environmental Protection
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7.2 Promotion of Low-Carbon Environmental Protection Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2 Promotion of Low-Carbon Environmental Protection Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.2 Promotion of Low-Carbon Environmental Protection
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.2 Promotion of Low-Carbon Environmental Protection
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Inapplicable as no packaging material for finished products is used in the course of business of the Group
A3: Environment and natural resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	7.2 Promotion of Low-Carbon Environmental Protection
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2 Promotion of Low-Carbon Environmental Protection

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Indicators		Chapter	
A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7.3 Responding to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.3 Responding to Climate Change
B. Social Aspect			
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Strengthening Talent Management
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix I: Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statements
B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Emphasis on Employee Health and Safety

Chapter 11 Environmental, Social and Governance Report

Indicators			Chapter
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Sustainability Data Statements
	B2.2	Lost days due to work injury.	Appendix I: Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Emphasis on Employee Health and Safety
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Promotion of Talent Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category	Appendix I: Sustainability Data Statements
B4: Labor Standards	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5.1 Strengthening Talent Management
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1 Strengthening Talent Management
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Strengthening Talent Management

Chapter 11 Environmental, Social and Governance Report

Indicators		Chapter	
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	3.5 Supplier Management Enhancement
	B5.1	Number of suppliers by geographical region.	Appendix I: Sustainability Data Statements
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.5 Supplier Management Enhancement
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.5 Supplier Management Enhancement
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.5 Supplier Management Enhancement

Chapter 11 Environmental, Social and Governance Report

Indicators		Chapter	
B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1 Protection of Consumers' Rights and Interests
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Inapplicable as the Group is not engaged in recalls of products
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.2 Efficient Handling of Complaints
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.6 Intellectual Property Protection Enhancement
	B6.4	Description of quality assurance process and recall procedures.	Inapplicable as the Group is not engaged in recalls of products
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.3 Protection of Information Security

Chapter 11 Environmental, Social and Governance Report

Indicators		Chapter	
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.3 Integrity Management Enhancement 3.4 Anti-money Laundering and Anti-terrorist Financing Management Enhancement
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.3 Integrity Management Enhancement
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.3 Integrity Management Enhancement
	B7.3	Description of anti-corruption training provided to directors and employee.	3.3 Integrity Management Enhancement
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Fulfillment of Social Responsibilities
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	6. Fulfillment of Social Responsibilities
	B8.2	Resources contributed to the focus area.	6. Fulfillment of Social Responsibilities

Independent Auditor's Report



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

TO THE SHAREHOLDERS OF JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED

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

Opinion

We have audited the consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 269 to 444, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, 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 (the "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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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.

Key audit matters identified in our audit are summarised as follows:

- Basis of consolidation
- Impairment of loans and advances to customers

Basis of consolidation

Refer to note 57 to the consolidated financial statements and the accounting policies on page 281 to 283.

The key audit matter	How the matter was addressed in our audit
<p>The Bank operates its businesses through the Bank itself and through 35 subsidiaries as at 31 December 2023.</p> <p>As at 31 December 2023, the Bank controlled and consolidated 19 subsidiaries in which the Bank owned no more than 50% equity interest (the "Non Major Subsidiaries"). To control these Non Major Subsidiaries, the Bank held more than 50% of the voting rights in these non major subsidiaries through acting in concert agreements (the "AIC agreements") with certain minority shareholders of those subsidiaries. In particular, under these AIC agreements, these minority shareholders have agreed to align their votes with the Bank in respective shareholders' meeting of the subsidiaries.</p> <p>If these minority shareholders fail to abide by their agreements, or if the AIC agreements are terminated, the Bank may not be able to continue to control and consolidate the financial results of these Non Major Subsidiaries.</p>	<p>Our procedures were designed to review the management's assessment, with reference to the legal advice on the validity of AIC agreements, of whether the Group controls the Non Major Subsidiaries and challenge the reasonableness of the methodologies used to assessment of control.</p> <p>We have discussed the indicators of possible loss of control with the management and, where such indicators were identified, assessing the management's view on control.</p>

Independent Auditor's Report (Continued)

Impairment of loans and advances to customers

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 289 to 301.

The key audit matter	How the matter was addressed in our audit
<p>Impairment allowances represent management's best estimate of the expected credit losses within the loan portfolios at the reporting date.</p> <p>They are assessed based on whether the credit risk has increased significantly since initial recognition and the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.</p> <p>The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.</p> <p>Management estimations and judgements are required to determine whether there are significant increase in credit risk, the probability of default, loss given default and the expected future cash flows related to each loan within the loan portfolios.</p>	<p>Our procedures were designed to review the management assessment on the expected credit losses model and challenge the reasonableness of the methods and assumptions used to estimate the expected credit losses of loans and advances to customers.</p> <p>We have discussed the judgement in relation to the recognition of 12 months and life time expected credit losses of loans and advances under the 3 different stages and assessed the appropriateness of the modelling policy, assumptions and methodology used for material portfolios independently by reference to the accounting standards and market practices, and model calculations were tested through re-performance.</p> <p>We have challenged the assumptions, critical judgement and statistical models used by the management by assessing the reliability of the management's past estimates and future forecast, and taking into account the ageing at year end and whether any significant increase in credit risk of borrowers.</p>

Independent Auditor's Report (Continued)

Impairment of loan and advances to customers (Continued)

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 289 to 301.

The key audit matter	How the matter was addressed in our audit
<p>The audit was focused on impairment due to the materiality of the balances amounted to approximately RMB176,431,732,000 and the subjective nature of the judgement, estimation and calculation involved in the determination of the expected credit losses.</p>	<p>For the collectively assessed expected credit loss ("ECL"), we assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information. We also assessed the financial statement disclosures relating to the Group's exposure to credit risk.</p>

Independent Auditor's Report (Continued)

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Bank are responsible for the other information. The other information comprises 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Bank and Those Charged with Governance 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 of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

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, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 of the Bank.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

We communicate with those charged with governance 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 those charged with governance 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.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with those charged with governance, 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 Mr. Chiu Lung Sang.

CROWE (HK) CPA Limited

Certified Public Accountants

Chiu Lung Sang

Practising Certificate Number: P08091

Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Interest income		13,674,478	14,382,696
Interest expenses		(8,146,121)	(7,867,756)
Net interest income	6	5,528,357	6,514,940
Fee and commission income		98,439	153,493
Fee and commission expenses		(78,815)	(71,849)
Net fee and commission income	7	19,624	81,644
Net trading (losses)/gains	8	(47,532)	95,101
Dividend income		7,784	21,423
Net gains arising from investment securities	9	154,879	98,551
Loss on deemed disposal of a subsidiary	56	–	(208,561)
Net exchange gains		3,568	8,025
Other operating expenses, net	10	(152,356)	(14,056)
Operating income		5,514,324	6,597,067
Operating expenses	11	(3,338,883)	(3,266,177)
Impairment losses on assets, net of reversals	14	(2,109,824)	(1,360,882)
Operating profit		65,617	1,970,008
Share of profits of associates	25	781	13,469
Profit before tax		66,398	1,983,477
Income tax credit/(expense)	15	112,023	(311,452)
Profit for the year		178,421	1,672,025

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Year Ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Other comprehensive income/(loss) for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Financial assets at fair value through other comprehensive income			
– Changes in fair value of debt instruments		84,960	(42,401)
– Changes in allowance for expected credit loss		197	(7)
– Income tax relating to items that may be reclassified subsequently		(21,289)	10,602
– Share of other comprehensive income of associates	25	5,777	1,502
		69,645	(30,304)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
– Financial assets at fair value through other comprehensive income			
– Change in fair value of investments in equity investments		3,895	(25,580)
– Income tax relating to item that will not be reclassified subsequently		(974)	6,746
		2,921	(18,834)
Other comprehensive income/(loss) for the year, net of tax		72,566	(49,138)
Total comprehensive income for the year		250,987	1,622,887
Profit/(loss) for the year attributable to:			
– Owners of the Bank		168,348	1,683,339
– Non-controlling interests		10,073	(11,314)
		178,421	1,672,025
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Bank		219,397	1,645,244
– Non-controlling interests		31,590	(22,357)
		250,987	1,622,887
Earnings per share			
– Basic earnings per share (RMB cents)	16	3.32	33.17

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	31/12/2023 RMB'000	31/12/2022 RMB'000
Assets			
Cash and deposits with the central bank	17	27,149,571	34,642,750
Deposits with banks and other financial institutions	18	12,144,867	11,092,260
Placements with banks and other financial institutions	19	372,934	425,218
Financial assets held under resale agreements	20	7,543,621	9,570,521
Financial assets at fair value through profit or loss	21	667,376	1,909,099
Loans and advances to customers	22	176,431,732	170,597,441
Financial assets at fair value through other comprehensive income	23	14,572,090	4,019,840
Financial assets measured at amortised cost	24	23,456,566	27,797,726
Interests in associates	25	1,303,830	1,297,272
Property and equipment	26	2,578,671	2,773,837
Right-of-use assets	27	451,452	519,577
Goodwill	28	15,133	15,133
Deferred tax assets	29	1,644,222	1,218,909
Other assets	30	1,442,925	1,121,166
Total assets		269,774,990	267,000,749

Consolidated Statement of Financial Position (Continued)

At 31 December 2023

	Notes	31/12/2023 RMB'000	31/12/2022 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank	32	535,455	3,679,787
Deposits from banks and other financial institutions	33	111,306	3,471,600
Placements from banks and other financial institutions	34	3,064,537	2,052,823
Financial assets sold under repurchase agreements	35	220,057	50,021
Deposits from customers	36	242,206,613	232,291,863
Accrued staff costs	37	187,110	193,286
Tax payable		75,200	59,653
Debt securities issued	38	3,375,210	5,351,209
Lease liabilities	27	371,797	429,046
Other liabilities	39	763,168	802,115
Total liabilities		250,910,453	248,381,403
Equity			
Share capital	40	5,074,192	5,074,192
Capital reserve	41	4,256,757	4,256,757
Investment revaluation reserve		107,615	56,566
Surplus reserve	42(a)	1,237,348	1,223,755
General reserve	42(b)	2,747,228	2,636,746
Retained earnings		2,684,172	2,639,899
Total equity attributable to owners of the Bank		16,107,312	15,887,915
Non-controlling interests		2,757,225	2,731,431
Total equity		18,864,537	18,619,346
Total liabilities and equity		269,774,990	267,000,749

The consolidated financial statements on pages 269 to 444 were approved and authorised for issue by the board of directors of the Bank on 27 March 2024 and are signed on its behalf by:

Mr. GUO Ce
Director

Mr. YUAN Chunyu
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2023

	Attributable to owners of the Bank								
	Share capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As 1 January 2023	5,074,192	4,256,757	56,566	1,223,755	2,636,746	2,639,899	15,887,915	2,731,431	18,619,346
Profit for the year	-	-	-	-	-	168,348	168,348	10,073	178,421
Other comprehensive income for the year	-	-	51,049	-	-	-	51,049	21,517	72,566
Total comprehensive income for the year	-	-	51,049	-	-	168,348	219,397	31,590	250,987
Appropriation of profits									
- Appropriation to surplus reserve	-	-	-	13,593	-	(13,593)	-	-	-
- Appropriation to general reserve	-	-	-	-	110,482	(110,482)	-	-	-
- Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(5,796)	(5,796)
At 31 December 2023	5,074,192	4,256,757	107,615	1,237,348	2,747,228	2,684,172	16,107,312	2,757,225	18,864,537

Consolidated Statement of Changes in Equity (Continued)

For the Year Ended 31 December 2023

	Attributable to owners of the Bank									
	Share capital RMB'000	Capital reserve RMB'000	Investment			General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
			revaluation reserve RMB'000	Surplus reserve RMB'000						
As 1 January 2022	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012	
Profit/(loss) for the year	-	-	-	-	-	1,683,339	1,683,339	(11,314)	1,672,025	
Other comprehensive loss for the year	-	-	(38,095)	-	-	-	(38,095)	(11,043)	(49,138)	
Total comprehensive income/(loss) for the year	-	-	(38,095)	-	-	1,683,339	1,645,244	(22,357)	1,622,887	
Changes in ownership in subsidiaries without changes in control (Note 54)	-	(287,520)	-	-	-	-	(287,520)	(163,500)	(451,020)	
Deemed disposal of a subsidiary (Note 56)	-	(44,942)	-	-	(39,820)	39,820	(44,942)	(360,234)	(405,176)	
Changes in share capital										
- Capitalisation of capital reserve (Note 40)	461,291	(461,291)	-	-	-	-	-	-	-	
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	165,503	-	(165,503)	-	-	-	
- Appropriation to general reserve	-	-	-	-	354,604	(354,604)	-	-	-	
- Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(15,710)	(15,710)	
Acquisition of a subsidiary (Note 55)	-	-	-	-	-	35	35	93,318	93,353	
At 31 December 2022	5,074,192	4,256,757	56,566	1,223,755	2,636,746	2,639,899	15,887,915	2,731,431	18,619,346	

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax for the year	66,398	1,983,477
Adjustments for:		
Interest income from financial investments	(1,229,490)	(1,233,030)
Share of profits of associates	(781)	(13,469)
Dividend income	(7,784)	(21,423)
Government grants	(13,841)	(47,209)
Net gains arising from investment securities	(154,879)	(98,551)
Gain on disposal of property and equipment	(498)	(53,769)
Gain on early termination of lease agreements	(4,440)	(909)
Impairment losses on assets, net of reversals	2,109,824	1,360,882
Interest expenses on debt securities issued	183,777	277,598
Depreciation of property and equipment	270,812	287,469
Interest income from impaired loans and advances to customers	(19,098)	(46,623)
Depreciation of right-of-use assets	160,366	176,530
Net unrealised trading losses	230,431	233,919
Interest expenses on lease liabilities	18,413	21,340
Amortisation of long-term deferred expenses	21,898	23,325
Loss on deemed disposal of a subsidiary	-	208,561
	1,631,108	3,058,118
Changes in operating assets		
Net increase in loans and advances to customers	(6,405,119)	(22,315,124)
Net increase in other operating assets (including in interest receivables)	(967,340)	(3,981,124)
Net decrease/(increase) in deposits with the central bank	36,298	(1,582,682)
Net decrease in financial assets at fair value through profit or loss	1,006,395	360,000
Net (increase)/decrease in deposits and placements with the banks and other financial institutions	(464,664)	22,992
	(6,794,430)	(27,495,938)

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Changes in operating liabilities		
Net increase in financial assets sold under repurchase agreements	170,000	50,000
Net increase in deposits from customers	9,309,013	44,874,050
Net increase in placements from banks and other financial institutions	1,011,714	550,000
Net decrease in deposits from banks and other financial institutions	(3,306,173)	(3,332,376)
Net (decrease)/increase in borrowing from central bank	(3,144,332)	862,256
Net (decrease)/increase in other operating liabilities (including interests payable)	(55,352)	1,264,154
Net (decrease)/increase in accrued staff costs	(6,176)	14,116
	3,978,694	44,282,200
Cash (used in)/generated from operations	(1,184,628)	19,844,380
Income tax refund/(paid)	319,849	(843,669)
NET CASH (USE IN)/GENERATED FROM OPERATING ACTIVITIES	(864,779)	19,000,711
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(89,353,706)	(80,276,132)
Payments on acquisition of property and equipment	(88,586)	(167,626)
Proceeds from disposal of financial investments	82,939,470	75,922,356
Interest income from financial investments	716,209	1,316,058
Proceeds from disposal of property and equipment	52,202	117,463
Dividend income received from equity investments	7,784	21,423
Dividends received from associates	4,537	–
Acquisition of a subsidiary	–	54,756
Deemed disposal of a subsidiary	–	(2,745,700)
NET CASH USED IN INVESTING ACTIVITIES	(5,722,090)	(5,757,402)

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2023

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Repayment of debt securities issued	(2,500,000)	(3,450,000)
Dividends paid	(344)	(6)
Payments on lease liabilities	(166,390)	(168,613)
Interests paid on debt securities issued	(146,400)	(195,400)
Dividends paid to non-controlling interests	(5,796)	(15,710)
Interests paid on lease liabilities	(18,413)	(21,340)
Net proceeds from issue of new debt securities	486,145	2,428,613
Acquisition of additional interest in a subsidiary	–	(468,000)
Proceeds from disposals and dilution of interests in subsidiaries without loss in control	–	16,980
Government grants received	(7,309)	47,209
NET CASH USED IN FINANCING ACTIVITIES	(2,358,507)	(1,826,267)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,945,376)	11,417,042
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	41,039,454	29,622,412
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 46)	32,094,078	41,039,454
Interests received	11,676,673	10,884,818
Interests paid (excluding interest expenses on debt securities issued and lease liabilities)	(7,457,265)	(6,278,099)

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2023

1. GENERAL

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 December 2008 with approval of the former China Banking Regulatory Commission Jilin Regulatory Bureau (Jin Yin Jian Fu 2008 No.320) on 15 December 2008.

The Bank obtained its finance permit from the Former China Banking and Insurance Regulatory Commission (the Former “CBIRC”) Jilin Bureau (Institution Number: No. B1001H222010001) and the business license from Market Supervision and Administration Bureau of Jilin Province (Unified Social Credit Code: 912200001243547911). The legal representative is Guo Ce and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin the People’s Republic of China (the “PRC”).

As at 31 December 2023, the Bank has established 3 branches and 89 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the banking supervision authority of the State Council. The Group operates in mainland China.

On 12 January 2017, the Bank’s H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 6122).

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiaries.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2023.

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

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

Amendments to IFRSs issued but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 21	Lack of Exchangeability ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Bank anticipate that, the application of the amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. MATERIAL ACCOUNTING POLICIES INFORMATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies information are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (i.e. its subsidiaries and structure entities). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Basis of consolidation (Continued)

- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiary upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Business combinations

Businesses combinations are accounted for by using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

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

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Translation of foreign currencies (Continued)

Monetary items denominated in foreign currencies are retranslated to RMB at the spot exchange rate at the end of each reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date and are not retranslated. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for non-monetary financial investments with fair value changes recognised in investment revaluation reserve, the exchange differences arising from the translation of these non-monetary financial investments which are recognised in investment revaluation reserve.

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 on hand, non-restricted balances with the central bank, short-term deposits and placements with banks and other financial institutions and financial assets held under resale agreements with original maturity of less than three months.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which is determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Investments in associates (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether there is an objective evidence that the net investment in the associate is impaired. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

The business model refers to how the Bank manages its financial assets in order to generate cash flows. That is, the Bank’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Bank’s key management personnel.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and 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. The Bank also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets at amortised cost

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (Continued)

(i) Amortised cost and effective interest method (Continued)

For financial assets other than purchased or originated credit impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit loss (“ECL”), through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit-impaired financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (Continued)

(i) Amortised cost and effective interest method (Continued)

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the “Net interest income” line item (Note 6).

Financial assets at FVTOCI (debt instruments)

The Group measures financial assets subsequently at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- 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.

The Group’s financial assets classified as at FVTOCI includes investments in debt instruments. Fair value is determined in the manner described in note 50. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income (“OCI”) and accumulated under the heading of investment revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "dividend income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The interest earned on the financial assets is included in the “Net trading gains” line item. Fair value is determined in the manner described in note 50.

In respect of the Group’s equity instruments at FVTPL, the Group subsequently measures them at fair value, with fair value gains and losses recognised in “Net trading gains/(losses)”. Dividends from equity instruments continue to be recognised in profit or loss as dividend income when the Group’s right to receive payments is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, financial assets measured at amortised cost, debt investments measured at FVTOCI, interest receivable, other receivables, credit commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12m ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. For a financial asset in stage 2, entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The Group measures the loss allowance equal to 12m ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For credit commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a credit commitment, the Group considers changes in the risk of a default occurring on the loan to which a credit commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date, except for assets for which simplified approach was used.

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on credit commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

For financial guarantee contracts and credit commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

Except for investments in debt instruments that are measured at FVTOCI, credit commitments and financial guarantees contracts, the Group recognises an impairment gain or loss for all other financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. The Group recognised an impairment gain or loss in profit or loss for all financial instruments.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Credit commitments and financial guarantee contracts

Credit commitments and financial guarantee contracts are contracts that requires 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Credit commitments and financial guarantee contracts (Continued)

Credit commitments and financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Fair value measurement (Continued)

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Loan commitments and financial assets held under resale and repurchase agreements

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Property and equipment including buildings and leasehold improvement for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees. Such assets are classified to the appropriate categories when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Property and equipment (Continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	3%	20 years
Leasehold improvement	0%	Over the shorter of the economic useful lives and remaining lease terms
Office equipment	3%	3-10 years
Motor vehicles	3%	4 years

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Leasing

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

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

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

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at cost; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to financial asset carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposit is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Leasing (Continued)

Interest rate benchmark reform

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

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

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

Short-term leases and leases of low-value assets

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Leasing (Continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Impairment on tangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Impairment on tangible assets other than goodwill and financial assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Reposessed assets

Reposessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The reposessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the reposessed assets, the assets are written down to the recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Employee benefits

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions to retirement benefits scheme

The Group participates in Central Provident Fund (“CPF”) Scheme for its employees in the PRC organised by the municipal governments of the relevant provinces. The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants’ total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

Other social welfare

Social welfare expenditure refers to payments for employees’ social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees’ salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group’s liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group’s net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

The limited exceptions to recognition of deferred tax assets and liabilities are:

- temporary differences arising from goodwill not deductible for tax purposes,
- temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and do not give rise to equal taxable and deductible temporary differences,
- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future, and
- temporary differences related to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Fiduciary activities

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Revenue recognition (Continued)

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9.

The Group recognised revenue in respect of fee and commission income from the following major sources:

- Advisory services fees
- Settlement and clearing services fees
- Wealth management services fees
- Agency services fees
- Syndicated loan services fees
- Bank card services fees

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Revenue recognition (Continued)

Provision of settlement and clearing services and agency services

The Group recognises settlement and clearing services fees and agency services fees at a point in time when the services are provided to customers.

Provision of advisory services fees, bank card services fees and wealth management services

The Group recognises the advisory services fees, bank card service fees and wealth management service fees over time as the related services are transferred over time. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Provision of syndicated loan services

Regarding to the syndicated loan service fees, those contracts contain two performance obligations, the syndicated loan service and loan management services. For the syndicated loan service, this fee is one-off and recognised when syndicated loans are provided to customers. Hence, the revenue is recognised at a point of time. For loan management services, the fee depends on services transferred over time according to contract terms. Hence, the revenue is recognised over time. The Group allocates the transaction price to each performance obligation on the relative stand-alone fair values of these performance obligations. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised loan service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Expenses recognition

Interest expenses

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

Other expenses

Other expenses are recognised on an accrual basis.

Related parties

- (a) A person, or a close member of that person's family, is related to the Bank if that person:
- (i) has control or joint control over the Bank;
 - (ii) has significant influence over the Bank; or
 - (iii) is a member of the key management personnel of the Bank or the Bank's parent.
- (b) An entity is related to the Bank if any of the following conditions applies:
- (i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities 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 of the third entity;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Related parties (Continued)

(b) An entity is related to the Bank if any of the following conditions applies: (Continued)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;
- (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);

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES INFORMATION (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 a subsequent event.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying accounting policies (Continued)

Determination of control over investees

Management applies its judgement to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed investment products. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed investment products in which the Group has an interest or for which it is a sponsor, see Note 44(iii).

Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

Determining income tax provisions involves judgement on the tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Provision for ECL for all categories of financial assets, credit commitments and financial guarantees

The measurement of impairment losses under IFRS 9 across all categories of financial assets and credit commitments and financial guarantees requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision for ECL for all categories of financial assets, credit commitments and financial guarantees (Continued)

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial instruments should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets, credit commitments and financial guarantees based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision for ECL for all categories of financial assets, credit commitments and financial guarantees (Continued)

As at 31 December 2023, the carrying amounts of deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, debt securities classified as financial assets at fair value through other comprehensive income and financial assets measured at amortised cost were approximately RMB12,144,867,000, RMB372,934,000, RMB7,543,621,000, RMB176,431,732,000, RMB14,427,360,000 and RMB23,456,566,000 respectively (2022: RMB11,092,260,000, RMB425,218,000, RMB9,570,521,000, RMB170,597,441,000, RMB3,878,573,000 and RMB27,797,726,000 respectively), net of impairment loss amounted approximately RMB1,554,000, RMB200,000, nil, RMB6,554,497,000, RMB506,000 and RMB1,344,564,000 respectively (2022: RMB2,477,000, RMB70,000, nil, RMB5,359,554,000, RMB309,000 and RMB1,044,346,000 respectively).

As at 31 December 2023, the carrying amount of provision for credit commitments and financial guarantees was approximately RMB42,402,000 (2022: RMB74,063,000).

Due to unfavourable macroeconomic conditions, its effect on the Group's debtors and their ability to meet their financial obligations to the Group is difficult to predict. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

Impairment of repossessed assets

Repossessed assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumptions.

As at 31 December 2023, the gross carrying amount of repossessed assets were approximately RMB934,169,000 (2022: approximately RMB699,201,000), net of accumulated impairment losses amounted approximately RMB16,490,000 (2022: approximately RMB15,384,000). The net carrying amount after impairment loss were approximately RMB917,679,000 (2022: approximately RMB683,817,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Depreciation

Property and equipment and right-of-use assets are depreciated using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation charge in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation, the amount of depreciation will be revised.

As at 31 December 2023, the carrying amount of property and equipment and right-of-use assets were approximately RMB2,578,671,000 and RMB451,452,000 respectively (2022: approximately RMB2,773,837,000 and RMB519,577,000 respectively).

Impairment of interests in associates

In determining whether the interest in associate is impaired, the directors of the Bank assess the recoverable amount of the interest in associate which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interest in associate exceeds its recoverable amount. In determining the recoverable amount of the interest in associate, the directors of the Bank require an estimation of the future cash flows expected to arise from the associate in order to determine the value in use of the interest in associate. When the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2023, the carrying amount of interests in associates was approximately RMB1,303,830,000 (2022: approximately RMB1,297,272,000). No accumulated impairment losses were recognised for the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 5%-7% of value added tax.

(b) Education surcharge

Education surcharge is calculated as 3% of business tax and value added tax.

(c) Local education surcharge

Local education surcharge is calculated as 2% of business tax and value added tax.

(d) Income tax

The income tax that is applicable to the Bank and its subsidiaries is 15% to 25%.

(e) Value added tax

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from 1 May, 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

6. NET INTEREST INCOME

	2023 RMB'000	2022 RMB'000
Interest income arising from		
– Deposits with the central bank	220,931	223,061
– Deposits with banks and other financial institutions	331,219	209,151
– Placements with banks and other financial institutions	29,227	36,525
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	384,911	375,094
– Financial assets measured at amortised cost	844,579	857,936
– Loans and advances to customers:		
Corporate loans and advances		
– Loans	9,531,453	10,350,564
– Finance lease loans	153,894	179,374
Personal loans and advances	1,894,097	1,871,344
Discounted bills	750	1,450
– Financial assets held under resale agreements	283,417	278,197
	13,674,478	14,382,696
Less: Interest expenses arising from		
– Borrowings from the central bank	(47,145)	(68,769)
– Deposits from banks and other financial institutions	(13,581)	(217,153)
– Placements from banks and other financial institutions	(119,223)	(37,465)
– Deposits from customers:		
Corporate customers	(1,247,485)	(1,456,193)
Individual customers	(6,380,927)	(5,696,677)
– Financial assets sold under repurchase agreements	(135,570)	(92,561)
– Debt securities issued	(183,777)	(277,598)
– Lease liabilities	(18,413)	(21,340)
	(8,146,121)	(7,867,756)
	5,528,357	6,514,940

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

7. NET FEE AND COMMISSION INCOME

	2023 RMB'000	2022 RMB'000
Fee and commission income		
– Advisory fees	22,269	31,174
– Settlement and clearing fees	30,789	52,425
– Wealth management service fees	22,400	38,162
– Agency service fees	15,391	12,348
– Syndicated loan service fees	301	11,112
– Bank card service fees	1,470	3,514
– Others	5,819	4,758
	98,439	153,493
Fee and commission expenses		
– Settlement and clearing fees	(52,294)	(53,569)
– Others	(26,521)	(18,280)
	(78,815)	(71,849)
	19,624	81,644

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

8. NET TRADING (LOSSES)/GAINS

	2023 RMB'000	2022 RMB'000
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		
– Unlisted equity investments	(238,762)	(138,269)
– Listed equity investments	–	(11,861)
– Other debt instruments	8,332	(83,789)
Interest income from financial assets at FVTPL	183,562	320,140
Net (loss)/gain on disposal of financial assets at FVTPL		
– Other debt instruments	(664)	8,880
	(47,532)	95,101

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2023 RMB'000	2022 RMB'000
Net gains on disposal of financial assets measured at amortised cost	52,891	15,263
Net gains on disposal of financial assets at FVTOCI	101,988	83,288
	154,879	98,551

10. OTHER OPERATING EXPENSE, NET

	2023 RMB'000	2022 RMB'000
Government grants (Note)	13,841	47,209
Gain on disposal of property and equipment	498	53,769
Gain on early termination of lease agreements	4,440	909
Other operating expenses	(171,135)	(115,943)
	(152,356)	(14,056)

Note:

Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

11. OPERATING EXPENSES

	2023 RMB'000	2022 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	1,525,793	1,512,860
– Staff welfares	114,447	120,761
– Social insurance	379,853	315,083
– Housing allowances	165,614	125,855
– Labour union and staff education expenses	33,388	29,216
	2,219,095	2,103,775
Premises and equipment expenses		
– Depreciation of property and equipment	270,812	287,469
– Amortisation of long-term deferred expenses	21,898	23,325
– Rental and property management expenses	46,707	60,275
– Depreciation of right-of-use assets	160,366	176,530
	499,783	547,599
Other tax and surcharges	97,672	96,874
Other general and administrative expenses (Note)	522,333	517,929
	3,338,883	3,266,177

Note:

Auditor's remuneration for the year ended 31 December 2023 was RMB2,200,000 (2022: RMB2,170,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 21 (2022: 20) directors, the chief executive and supervisors were as follows:

For the year ended 31 December 2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Guo Ce ⁽¹⁾	-	433	58	1,181	1,672
Gao Bing ⁽²⁾	-	217	77	590	884
Yuan Chunyu	-	419	157	1,077	1,653
Liang Xiangmin	-	457	169	1,191	1,817
Non-executive directors					
Zhang Lixin	-	-	-	-	-
Wang Ying	-	-	-	-	-
Wu Shujun	-	-	-	-	-
Cui Qiang	-	-	-	-	-
Zhang Yusheng	-	-	-	-	-
Independent non-executive directors					
Han Lirong	100	-	-	-	100
Jin Xiaotong	100	-	-	-	100
Sun Jiafu	100	-	-	-	100
Fong Wai Kuk, Dennis	325	-	-	-	325
Zhang Qihua	100	-	-	-	100
Supervisors					
Luo Hui	-	457	169	1,192	1,818
Wang Enjiu	-	562	91	144	797
Liu Xiangjun	-	133	32	24	189

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 21 (2022: 20) directors, the chief executive and supervisors were as follows: (Continued)

For the year ended 31 December 2023 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
External supervisors					
Dai Yundi	50	-	-	-	50
Liu Jianxin	50	-	-	-	50
Dong Shuaibing	50	-	-	-	50
Hu Guohuan	-	-	-	-	-
	875	2,678	753	5,399	9,705

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 21 (2022: 20) directors, the chief executive and supervisors were as follows: (Continued)

For the year ended 31 December 2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing ⁽²⁾	–	646	229	1,771	2,646
Yuan Chunyu	–	414	163	1,077	1,654
Liang Xiangmin	–	453	167	1,191	1,811
Non-executive directors					
Zhang Lixin	–	–	–	–	–
Wang Ying	–	–	–	–	–
Wu Shujun	–	–	–	–	–
Cui Qiang	–	–	–	–	–
Zhang Yusheng	–	–	–	–	–
Independent non-executive directors					
Han Lirong	50	–	–	–	50
Jin Xiaotong	50	–	–	–	50
Sun Jiafu	50	–	–	–	50
Fong Wai Kuk, Dennis	145	–	–	–	145
Zhang Qiuhoa	100	–	–	–	100
Supervisors					
Luo Hui	–	453	183	1,191	1,827
Wang Enjiu	–	558	91	144	793
Liu Xiangjun	–	130	32	24	186

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 21 (2022: 20) directors, the chief executive and supervisors were as follows: (Continued)

For the year ended 31 December 2022 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
External supervisors					
Dai Yundi	25	–	–	–	25
Liu Jianxin	25	–	–	–	25
Dong Shuaibing	25	–	–	–	25
Hu Guohuan	–	–	–	–	–
	470	2,654	865	5,398	9,387

(1) Guo Ce was appointed as executive director on 6 September 2023.

(2) Gao Bing resigned as executive director on 17 March 2023.

Note: Discretionary bonuses are paid depending on staff grading, individual performance and the profitability of the Group.

Mr. Guo Ce (2022: Mr. Gao Bing) is also the chief executive of the Bank during the year ended 31 December 2023 and his emoluments disclosed above include those for services rendered by him as the chief executive.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2023 and 2022. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation, for loss of office during the years ended 31 December 2023 and 2022.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments include one director and one supervisor (2022: one director and one supervisor) whose emoluments are disclosed in Note 12 above. The emoluments of remaining three (2022: three) individuals were as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,372	1,359
Retirement benefits scheme contributions	508	510
Discretionary bonuses	3,575	3,576
	5,455	5,445

Their emoluments were within the following bands:

	2023 No. of employees	2022 No. of employees
HK\$2,000,001 to HK\$2,500,000 (equivalent to RMB1,824,486 to RMB2,280,606) (2022: HK\$2,000,001 to HK\$2,500,000 (equivalent to RMB1,772,893 to RMB2,216,116))	3	3

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

14. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	Notes	2023 RMB'000	2022 RMB'000
Loans and advances to customers	22	1,380,131	1,128,724
Other receivables and repossessed assets	30	1,189	27,676
Debt securities financial assets at FVTOCI	23	197	134
Deposits with banks and other financial institutions	18	(923)	(620)
Placements with banks and other financial institutions	19	130	226
Provision for credit commitments and financial guarantees	39	(31,661)	13,598
Financial assets measured at amortised costs	24	748,663	186,952
Interest receivables (included in other assets)	30	12,098	4,192
		2,109,824	1,360,882

15. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax (credit)/expense:

	2023 RMB'000	2022 RMB'000
Current tax:		
– Mainland China Enterprise Income Tax	314,679	605,170
Under/(over) provision in prior years:		
– Mainland China Enterprise Income Tax	20,717	(993)
Deferred tax (Note 29)		
– Current year	(447,419)	(292,725)
	(112,023)	311,452

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the year ended 31 December 2023, certain branches with operations in subsidiaries, Lingshui Huimin Village Bank Co., Ltd (“陵水惠民村鎮銀行股份有限公司”), Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), and Sanya Huimin Village Bank Co., Ltd.* (“三亞惠民村鎮銀行股份有限公司”) (2022: Lingshui Huimin Village Bank Co., Ltd. and Sanya Huimin Village Bank Co., Ltd.), obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

15. INCOME TAX (CREDIT)/EXPENSE (Continued)

(b) The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	66,398	1,983,477
Tax at domestic income tax rate of 25%	16,600	495,869
Tax effect of share of profit of associates	(195)	(3,367)
Tax effect of expenses not deductible for tax purpose (Notes i)	37,092	19,079
Tax effect of income that are not taxable for tax purpose (Notes ii)	(186,237)	(199,136)
Under/(over) provision in respect of prior years	20,717	(993)
Income tax (credit)/expense	(112,023)	311,452

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditure, such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, which are exempted from income tax under the Mainland China tax regulation.

Details of the deferred taxation are set out in Note 29.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Bank is based on the following data:

	2023 RMB'000	2022 RMB'000
Profit for the year attributable to owners of the Bank	168,348	1,683,339
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	5,074,192	5,074,192

No diluted earnings per share is presented as there were no potentially dilutive shares outstanding during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2023 RMB'000	2022 RMB'000
Cash on hand	674,951	686,545
Deposits with the central bank		
– Statutory deposit reserves (Note a)	12,595,149	12,633,371
– Surplus deposit reserves (Note b)	13,875,553	21,320,674
– Fiscal deposits	3,918	1,993
	26,474,620	33,956,038
	27,149,571	34,642,583
Accrued interest	–	167
	27,149,571	34,642,750

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. At 31 December 2023 and 2022, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2023	2022
Reserve ratio for RMB deposits	5.3%	6.0%
Reserve ratio for foreign currency deposits	4.0%	6.0%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

18. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2023 RMB'000	2022 RMB'000
Deposits in Mainland China		
– Banks	12,098,290	11,037,942
Deposits outside Mainland China		
– Banks	5,602	25,945
	12,103,892	11,063,887
Accrued interest	42,529	30,850
Less: provision for impairment losses (Note (a))	(1,554)	(2,477)
	12,144,867	11,092,260

Notes:

- (a) As at 31 December 2023 and 2022, the Group classifies all deposits with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12m ECL.
- (b) Movement of provision for impairment losses:

	2023 RMB'000	2022 RMB'000
At 1 January	2,477	2,947
Reversal of impairment losses recognised	(923)	(620)
Others	–	150
At 31 December	1,554	2,477

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

19. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023 RMB'000	2022 RMB'000
Placements in Mainland China		
– Banks	–	300,000
– Other financial institutions	373,000	125,000
	373,000	425,000
Accrued interest	134	288
Less: provision for impairment losses (Note (a))	(200)	(70)
	372,934	425,218

Notes:

- (a) As at 31 December 2023 and 2022, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12m ECL.
- (b) Movement of provision for impairment losses:

	2023 RMB'000	2022 RMB'000
At 1 January	70	241
Impairment losses recognised	130	226
Deemed disposal of a subsidiary	–	(397)
At 31 December	200	70

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2023 RMB'000	2022 RMB'000
In Mainland China		
– Banks	7,440,344	9,464,880
– Other financial institutions	99,475	99,475
	7,539,819	9,564,355
Accrued interest	3,802	6,166
	7,543,621	9,570,521

(b) Analysed by type of security held

	2023 RMB'000	2022 RMB'000
Debt securities		
– Corporation	99,475	99,475
– Government	1,238,274	5,386,500
– Other financial institutions	6,202,070	4,078,380
	7,539,819	9,564,355
Accrued interest	3,802	6,166
	7,543,621	9,570,521

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted equity investments measured at FVTPL (Note)	667,376	906,138
Investment funds	–	1,002,961
	667,376	1,909,099

Note:

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2023 RMB'000	2022 RMB'000
Gross loans and advances to customers		
Corporate loans and advances		
– Loans	149,660,091	142,112,472
– Finance lease loans	2,701,459	2,932,147
	152,361,550	145,044,619
Personal loans and advances		
– Personal business loans	18,970,702	20,432,868
– Personal consumption loans	3,204,004	3,114,847
– Credit card overdrafts	15,143	17,535
– Residential and commercial mortgage loans	3,560,009	3,419,546
	25,749,858	26,984,796
	178,111,408	172,029,415
Accrued interest	4,874,821	3,927,580
Less: Provision for impairment losses		
– Individually assessed	(1,447,084)	(1,206,331)
– Collectively assessed	(5,107,413)	(4,153,223)
	(6,554,497)	(5,359,554)
	176,431,732	170,597,441

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 31 December 2023		
	Amounts RMB'000	Percentages	Loans and advances secured or pledged by collaterals RMB'000
Gross loans and advances to customers			
Corporate loan and advances			
Wholesale and retail	32,970,969	18.51%	11,029,739
Leasing and business services	24,820,416	13.94%	12,908,764
Construction	18,676,717	10.49%	7,020,068
Manufacturing	18,368,150	10.31%	7,049,918
Agriculture, forestry, animal husbandry and fishery	14,520,917	8.15%	5,388,537
Real estate	9,215,501	5.17%	7,191,391
Scientific research, technical services and services and geological prospecting	7,885,095	4.43%	2,252,502
Transportation, storage and postal services	7,577,167	4.25%	2,119,729
Information transmission, computer services and software	4,598,051	2.58%	1,989,712
Water, environment and public facility management	3,946,682	2.22%	1,151,370
Accommodation and catering	3,098,855	1.74%	2,340,557
Education	1,804,170	1.01%	1,388,943
Electricity, gas and water production and supply	1,456,918	0.82%	532,652
Health and social services	1,452,174	0.82%	1,255,908
Resident and other services	929,994	0.52%	374,014
Cultural, sports and entertainment	545,200	0.31%	337,131
Mining	310,624	0.17%	62,178
Public administration, social security and social organisations	151,000	0.08%	151,000
Finance	32,950	0.02%	14,950
	152,361,550	85.54%	64,559,063
Personal loans and advances	25,749,858	14.46%	15,619,612
Accrued interest	4,874,821		-
	182,986,229		80,178,675
Less: Provision of impairment losses			
Individually assessed	(1,447,084)		
Collectively assessed	(5,107,413)		
	(6,554,497)		
	176,431,732		

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At 31 December 2022		
	Amounts RMB'000	Percentages	Loans and advances secured or pledged by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	31,291,314	18.19%	10,376,645
– Leasing and business services	25,772,456	14.98%	15,044,758
– Manufacturing	16,518,113	9.60%	7,123,144
– Construction	16,332,762	9.50%	6,975,392
– Agriculture, forestry, animal husbandry and fishery	12,658,055	7.36%	5,747,742
– Real estate	9,550,097	5.55%	7,543,007
– Transportation, storage and postal services	8,499,160	4.94%	3,403,866
– Scientific research, technical services and geological prospecting	6,098,438	3.55%	2,026,917
– Information transmission, computer services and software	4,077,638	2.37%	2,127,799
– Water, environment and public facility management	3,583,281	2.08%	1,084,460
– Accommodation and catering	3,016,886	1.75%	2,338,374
– Electricity, gas and water production and supply	2,763,606	1.61%	863,492
– Education	1,848,241	1.07%	1,462,141
– Health and social services	1,383,994	0.80%	1,218,510
– Resident and other services	720,605	0.42%	212,350
– Cultural, sports and entertainment	538,462	0.31%	372,026
– Mining	239,811	0.14%	63,210
– Public administration, social security and social organisation	151,000	0.09%	151,000
– Finance	700	0.00%	–
	145,044,619	84.31%	68,134,833
Personal loans and advances	26,984,796	15.69%	16,726,804
Accrued interest	3,927,580		–
	175,956,995		84,861,637
Less: Provision for impairment losses			
– Individually assessed	(1,206,331)		
– Collectively assessed	(4,153,223)		
	(5,359,554)		
	170,597,441		

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at 31 December 2023 and 2022, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 31 December 2023					
	Gross impaired loans and advances* RMB'000	ECL			Impairment charged during the year RMB'000	Written-off during the year RMB'000
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
- Wholesale and retail	1,136,736	367,480	450,957	377,432	402,723	(14,500)
- Leasing and business services	316,613	287,514	272,599	82,625	123,080	-
- Construction	535,568	301,667	121,888	231,898	203,468	(3,000)
- Manufacturing	1,100,920	300,546	240,033	432,042	(1,305)	(9,844)

	At 31 December 2022					
	Gross impaired loans and advances* RMB'000	ECL			Impairment charged/ (reversed) during the year RMB'000	Written-off during the year RMB'000
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
- Wholesale and retail	458,586	452,551	64,545	276,050	92,656	(20,113)
- Leasing and business services	312,136	294,996	50,071	175,058	(71,712)	(2,300)

* The balances represents gross amount of loans and advances subject to ECL at stage 3.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	2023 RMB'000	2022 RMB'000
Gross loans and advances to customers		
Unsecured loans	3,664,036	3,742,653
Guaranteed loans	94,268,697	83,425,125
Collateralised loans	67,612,560	68,575,059
Pledged loans	12,566,115	16,286,578
	178,111,408	172,029,415
Accrued interest	4,874,821	3,927,580
	182,986,229	175,956,995

(d) Overdue loans analysed by overdue period

	At 31 December 2023				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	86,416	5,623	23,318	5,827	121,184
Guaranteed loans	1,105,131	1,669,392	466,025	321,867	3,562,415
Collateralised loans	1,033,931	1,420,678	734,679	979,997	4,169,285
Pledged loans	179,158	71,266	34,360	77,721	362,505
	2,404,636	3,166,959	1,258,382	1,385,412	8,215,389
As a percentage of gross loans and advances to customers (excluding accrued interests)	1.35%	1.78%	0.71%	0.78%	4.62%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue period (Continued)

	At 31 December 2022				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	361,412	2,154	27,435	924	391,925
Guaranteed loans	816,089	122,691	789,169	256,989	1,984,938
Collateralised loans	557,225	571,603	983,730	693,855	2,806,413
Pledged loans	117,924	–	47,117	49,124	214,165
	1,852,650	696,448	1,847,451	1,000,892	5,397,441
As a percentage of gross loans and advances to customers (excluding accrued interests)	1.08%	0.41%	1.07%	0.58%	3.14%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	As at 31 December 2023			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross loans and advances to customers	161,976,180	9,752,309	6,382,919	178,111,408
Accrued interest	4,307,656	425,779	141,386	4,874,821
Less: Provision for impairment losses	(2,274,500)	(1,651,672)	(2,628,325)	(6,554,497)
	164,009,336	8,526,416	3,895,980	176,431,732

	As at 31 December 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross loans and advances to customers	163,118,380	4,941,385	3,969,650	172,029,415
Accrued interest	3,821,968	96,152	9,460	3,927,580
Less: Provision for impairment losses	(2,225,822)	(919,476)	(2,214,256)	(5,359,554)
	164,714,526	4,118,061	1,764,854	170,597,441

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “Normal”, “Special mention”, “Substandard”, “Doubtful” and “Loss” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

As at 31 December 2023 and 2022, an analysis of the gross amount of loans receivables with the grading of the loan is as follows:

	As at 31 December 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Normal	161,972,766	199,758	1,199,926	163,372,450
Special mention	3,414	9,552,551	1,007,536	10,563,501
Substandard	–	–	1,311,782	1,311,782
Doubtful	–	–	2,224,569	2,224,569
Loss	–	–	639,106	639,106
Gross carrying amount	161,976,180	9,752,309	6,382,919	178,111,408
Accrued interest	4,307,656	425,779	141,386	4,874,821
Less: allowance for impairment losses	(2,274,500)	(1,651,672)	(2,628,325)	(6,554,497)
Net carrying amount	164,009,336	8,526,416	3,895,980	176,431,732

	As at 31 December 2022			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Normal	162,813,380	229,857	47,057	163,090,294
Special mention	305,000	4,711,528	517,380	5,533,908
Substandard	–	–	246,229	246,229
Doubtful	–	–	3,080,808	3,080,808
Loss	–	–	78,176	78,176
Gross carrying amount	163,118,380	4,941,385	3,969,650	172,029,415
Accrued interest	3,821,968	96,152	9,460	3,927,580
Less: allowance for impairment losses	(2,225,822)	(919,476)	(2,214,256)	(5,359,554)
Net carrying amount	164,714,526	4,118,061	1,764,854	170,597,441

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

	As at 31 December 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Loss allowance at 1 January 2023	2,225,822	919,476	2,214,256	5,359,554
Changes in the loss allowance				
– Transfer to stage 1	345,878	(323,119)	(22,759)	–
– Transfer to stage 2	(68,715)	69,113	(398)	–
– Transfer to stage 3	(16,815)	(198,750)	215,565	–
– Charge to profit or loss, net	(211,670)	1,184,952	406,849	1,380,131
– Recoveries of loans and advances previously written off as uncollectible	–	–	13,297	13,297
– Interest income on impaired loans and advances to customers	–	–	(101,751)	(101,751)
– Amounts written off as uncollectible	–	–	(96,734)	(96,734)
Loss allowance at 31 December 2023	2,274,500	1,651,672	2,628,325	6,554,497

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses (Continued)

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Loss allowance at 1 January 2022	1,926,068	792,605	1,909,381	4,628,054
Changes in the loss allowance				
– Transfer to stage 1	145,948	(114,861)	(31,087)	–
– Transfer to stage 2	(42,780)	84,354	(41,574)	–
– Transfer to stage 3	(17,620)	(80,753)	98,373	–
– Charge to profit or loss, net	333,671	312,809	482,244	1,128,724
– Recoveries of loans and advances previously written off as uncollectible	–	–	10,360	10,360
– Interest income on impaired loans and advances to customers	–	–	(46,623)	(46,623)
– Amounts written off as uncollectible	–	–	(84,097)	(84,097)
– Deemed disposal of subsidiaries	(121,856)	(91,290)	(93,790)	(306,936)
– Acquisition of subsidiaries	2,391	16,612	11,069	30,072
Loss allowance at 31 December 2022	2,225,822	919,476	2,214,256	5,359,554

Note:

Analysed by movements in loss allowance

The movements of loss allowance are mainly affected by:

- Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12m and the Lifetime ECL;
- Allowance for new loans and advances to customers recognised;
- Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;
- The reversal of allowances caused by repayment, write-offs and loans and advances to customers transferred out.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector

	At 31 December 2023		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals or pledged assets RMB'000
Jilin Region	156,528,342	87.88%	68,068,325
Mainland China excluding Jilin Region	21,583,066	12.12%	12,110,350
	178,111,408	100.00%	80,178,675

	At 31 December 2022		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals or pledged assets RMB'000
Jilin Region	150,709,917	87.61%	72,088,477
Mainland China excluding Jilin Region	21,319,498	12.39%	12,773,160
	172,029,415	100.00%	84,861,637

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(h) Finance lease receivables

The Group entered into finance leasing arrangements as a lessor for certain equipment to its retailers. The average term of finance leases entered into is 3 years (2022: 3 years). Generally, these lease contracts do not include extension or early termination options.

	2023 RMB'000	2022 RMB'000
Amounts receivable under finance leases:		
Within one year	1,698,415	794,640
After one year but within two years	511,012	996,766
After two years but within three years	702,568	574,781
After three years but within four years	–	639,196
After four years but within five years	–	131,138
After five years	99,223	–
Undiscounted lease payments	3,011,218	3,136,521
Unguaranteed residual values	–	–
Gross investment in leases	3,011,218	3,136,521
Less: Unearned finance income	(309,759)	(204,374)
Present value of minimum finance lease receivables	2,701,459	2,932,147
Less: Provision for impairment losses	(159,467)	(120,861)
	2,541,992	2,811,286

The following table presents the amounts included in profit or loss.

	2023 RMB'000	2022 RMB'000
Finance income on the net investment in finance leases	153,894	179,374

The Group's finance lease arrangements do not include variable payments.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks by ensuring all contracts include clauses requiring the lessee to compensate the Group when an equipment has been subjected to excess wear-and tear during the lease term.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	13,110,818	3,330,746
– Banks and other financial institutions	1,179,079	401,498
– Corporations	150	107,673
	14,290,047	3,839,917
Unlisted equity investments designated at FVTOCI, in Mainland China	144,730	141,267
	14,434,777	3,981,184
Accrued interest	137,313	38,656
	14,572,090	4,019,840

The Group made an irrevocable election to present changes in the fair value of certain of its equity investments in OCI.

Debt securities included in FVTOCI are traded on the China Interbank Bond Market.

Provision for impairment losses for debt instruments at FVTOCI:

	At 31 December 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross debt instruments at FVTOCI	14,290,403	–	150	14,290,553
Accrued interest	137,313	–	–	137,313
Provision for impairment losses	(356)	–	(150)	(506)
	14,427,360	–	–	14,427,360

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

	At 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Gross debt instruments at FVTOCI	3,840,076	–	150	3,840,226
Accrued interest	38,656	–	–	38,656
Provision for impairment losses	(159)	–	(150)	(309)
	3,878,573	–	–	3,878,573

The movements in the impairment allowance (included in investment revaluation reserve) for the debt instruments at FVTOCI during the year are as follows:

	2023 Total RMB'000	2022 Total RMB'000
At 1 January	309	175
Impairment losses recognised	197	134
At 31 December	506	309

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2023 RMB'000	2022 RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	12,576,721	15,525,055
– Banks and other financial institutions	903,214	903,234
– Corporations	300,000	300,000
– Interbank certificates	–	38,779
	13,779,935	16,767,068
In Mainland China		
Trust plans	6,089,576	6,148,234
Asset management plans	3,167,283	4,167,655
	9,256,859	10,315,889
	23,036,794	27,082,957
Accrued interest	1,764,336	1,759,115
Less: Provision for impairment losses (Note a)	(1,344,564)	(1,044,346)
	23,456,566	27,797,726

Notes:

- (i) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.
- (ii) All debt securities are traded with quoted price on the China Interbank Bond Market.
- (iii) At 31 December 2023 and 2022, parts of financial assets at amortised cost were pledged as securities for repurchase agreement (Note 31(a)).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

(a) Provision for impairment losses:

	At 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Gross financial assets measured at amortised costs	17,165,473	–	5,871,321	23,036,794
Accrued interest	681,774	–	1,082,562	1,764,336
Less: Provision for impairment losses	(41,946)	–	(1,302,618)	(1,344,564)
	17,805,301	–	5,651,265	23,456,566

	At 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Gross financial assets measured at amortised costs	20,798,995	–	6,283,962	27,082,957
Accrued interest	767,466	–	991,649	1,759,115
Less: Provision for impairment losses	(40,992)	–	(1,003,354)	(1,044,346)
	21,525,469	–	6,272,257	27,797,726

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

(b) Movements of allowance for impairment losses

	At 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Loss allowance at 1 January 2023	40,992	–	1,003,354	1,044,346
Changes in the loss allowance				
– Transfer to stage 3	(6,406)	–	6,406	–
– Charge to profit or loss, net	7,360	–	741,303	748,663
– Interest income on impaired financial asset measured at amortised cost	–	–	(448,445)	(448,445)
Loss allowance at 31 December 2023	41,946	–	1,302,618	1,344,564

	At 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Loss allowance at 1 January 2022	55,225	–	898,297	953,522
Changes in the loss allowance				
– Charge to profit or loss, net	(14,181)	–	201,133	186,952
– Interest income on impaired financial asset measured at amortised cost	–	–	(96,076)	(96,076)
– Deemed disposal of a subsidiary	(52)	–	–	(52)
Loss allowance at 31 December 2022	40,992	–	1,003,354	1,044,346

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

25. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Costs of investments in associates, unlisted	1,210,926	1,210,926
Share of post-acquisition profits and other comprehensive income, net of dividends received	92,904	86,346
	1,303,830	1,297,272

As at 31 December 2023 and 2022, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/ operation	Class of shares held	Proportion of ownerships		Proportion of voting		Principal activity
				interests or participating		power held		
				shares held by the Group		2023	2022	
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* ("吉林公主嶺農村商業銀行股份有限公司") ⁽¹⁾	Incorporated	PRC	Ordinary	20.2%	20.2%	20.2%	20.2%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd.* ("長白山農村商業銀行股份有限公司") ⁽¹⁾	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd.* ("海口聯合農村商業銀行股份有限公司") ⁽¹⁾	Incorporated	PRC	Ordinary	10%	10%	10%	10%	Corporate and retail bank
Liaoyuan Rural Commercial Bank Co., Ltd.* ("遼源農村商業銀行股份有限公司", "Liaoyuan Rural Commercial Bank") ⁽¹⁾	Incorporated	PRC	Ordinary	35.13%	35.13%	35.13%	35.13%	Corporate and retail bank

(1) These associates are directly held by the Bank.

* The English translation is for identification only.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

25. INTERESTS IN ASSOCIATES (Continued)

Notes:

- (a) The directors of the Bank considered that Haikou United Rural Commercial Bank, in which the Bank has 10% equity interest, is still classified as an associate of the Group as the Group continues to have significant influence over Haikou United Rural Commercial Bank by virtue of its contractual right to appoint two out of nine directors to the board of directors of that associate.
- (b) On 31 August 2022, five shareholders who hold 17.09% ownership and voting power of Liaoyuan Rural Commercial Bank, terminated the act in concert contracts with the Group. Hence, the Group loss control over Liaoyuan Rural Commercial Bank as the Group did not control more than half of the voting power in the shareholder meetings of Liaoyuan Rural Commercial Bank. Details are set out in note 56.
- (c) The financial information and carrying amount, in aggregate, of the Group's interests in the associates that are not individually material and are accounted for using the equity method are set out below:

	2023 RMB'000	2022 RMB'000
The Group's share of profit for the year	781	13,469
The Group's share of other comprehensive income for the year	5,777	1,502
	6,558	14,971

	2023 RMB'000	2022 RMB'000
Carrying amount of the Group's interests in these associates	1,303,830	1,297,272

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

26. PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2022	3,401,241	662,298	884,710	193,740	8,804	5,150,793
Additions	40,827	34,396	27,502	62,565	2,336	167,626
Transfers in/(out) of construction in progress	54,497	2,206	4,604	(62,128)	821	-
Acquisition of a subsidiary (note 55)	13,585	245	978	-	37	14,845
Deemed disposal of a subsidiary	(429,922)	(15,429)	(43,962)	(3,397)	-	(492,710)
Disposals	(84,599)	(2,518)	(14,762)	(122)	(1,696)	(103,697)
At 31 December 2022 and 1 January 2023	2,995,629	681,198	859,070	190,658	10,302	4,736,857
Additions	22,326	21,276	28,267	11,119	2,788	85,776
Transfers in/(out) of construction in progress	148,420	-	14,481	(162,901)	-	-
Disposals	(3,291)	(172,758)	(31,434)	(823)	(1,838)	(210,144)
At 31 December 2023	3,163,084	529,716	870,384	38,053	11,252	4,612,489

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

26. PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Accumulated depreciation and impairment						
At 1 January 2022	759,560	487,966	633,041	–	4,745	1,885,312
Provided for the year	160,258	56,210	69,097	–	1,904	287,469
Deemed disposal of a subsidiary	(124,433)	(11,802)	(33,523)	–	–	(169,758)
Eliminated on disposals	(23,020)	(2,028)	(13,318)	–	(1,637)	(40,003)
At 31 December 2022 and 1 January 2023	772,365	530,346	655,297	–	5,012	1,963,020
Provided for the year	154,012	50,566	63,950	–	2,284	270,812
Eliminated on disposals	(1,353)	(166,742)	(30,155)	–	(1,764)	(200,014)
At 31 December 2023	925,024	414,170	689,092	–	5,532	2,033,818
Net book value						
At 31 December 2023	2,238,060	115,546	181,292	38,053	5,720	2,578,671
At 31 December 2022	2,223,264	150,852	203,773	190,658	5,290	2,773,837

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

26. PROPERTY AND EQUIPMENT (Continued)

At 31 December 2023, the net book value of premises of which title deeds were not yet finalised by the Group was approximately RMB559,015,000 (2022: approximately RMB467,068,000). Among them, the net book value of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates was approximately RMB276,242,000 (2022: approximately RMB148,274,000).

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

At 31 December 2023 and 2022, the net book value of premises is analysed by the remaining terms of the leases as follows:

	2023 RMB'000	2022 RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	54,376	57,888
– Medium term leases (10 – 50 years)	2,127,491	2,095,618
– Short term leases (less than 10 years)	56,193	69,758
	2,238,060	2,223,264

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

27. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

i Right-of-use assets

	Premises RMB'000	Motor vehicles RMB'000	Land use rights RMB'000	Total RMB'000
Cost				
At 1 January 2022	934,458	13,179	29,990	977,627
Additions	110,472	4,328	–	114,800
Early termination of lease	(32,256)	–	–	(32,256)
Lease modification	(1,775)	–	–	(1,775)
Acquisition of a subsidiary	4,388	–	–	4,388
Deemed disposal of a subsidiary	(19,036)	(942)	–	(19,978)
Lease expiry	(19,934)	(2,384)	–	(22,318)
At 31 December 2022 and 1 January 2023	976,317	14,181	29,990	1,020,488
Additions	110,008	1,892	–	111,900
Early termination of lease	(52,229)	(2,649)	567	(54,311)
Lease expiry	(182,898)	(6,807)	–	(189,705)
At 31 December 2023	851,198	6,617	30,557	888,372
Accumulated depreciation				
At 1 January 2022	351,581	9,018	2,319	362,918
Provided for the year	172,224	3,435	871	176,530
Eliminated on early termination of lease	(13,478)	–	–	(13,478)
Deemed disposal of a subsidiary	(2,209)	(532)	–	(2,741)
Lease expiry	(19,934)	(2,384)	–	(22,318)
At 31 December 2022 and 1 January 2023	488,184	9,537	3,190	500,911
Provided for the year	157,044	2,425	899	160,368
Eliminated on early termination of lease	(32,260)	(1,593)	(3)	(33,856)
Lease expiry	(183,696)	(6,807)	–	(190,503)
At 31 December 2023	429,272	3,562	4,086	436,920
Carrying amounts				
At 31 December 2023	421,926	3,055	26,471	451,452
At 31 December 2022	488,133	4,644	26,800	519,577

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

27. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

i Right-of-use assets (Continued)

Right-of-use assets of approximately RMB26,471,000 (2022: RMB26,800,000) represent land use rights located in the PRC. As at 31 December 2023, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB380,000 (2022: RMB528,000). In the opinion of the directors, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for premises and motor vehicles. The lease terms are generally ranged from two to twenty years. The land is located in PRC with lease term ranged from ten to fifty years.

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to approximately RMB111,900,000 (2022: approximately RMB114,800,000), due to new leases of premises and motor vehicles.

ii Lease liabilities

Amounts payable under lease liabilities	2023 RMB'000	2022 RMB'000
Within one year	56,230	149,613
After one year but within two years	55,268	99,796
After two year but within five years	224,824	132,544
After five years	35,475	47,093
	371,797	429,046

During the year ended 31 December 2023, the Group entered into a number of new lease agreements in respect of rented properties and motor vehicles and recognised lease liability of approximately RMB111,900,000 (2022: RMB114,800,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

27. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

iii Amount recognised in profit or loss

	2023 RMB'000	2022 RMB'000
Depreciation expenses on right-of-use assets	160,368	176,530
Interest expenses on lease liabilities	18,413	21,340
Expenses relating to short-term leases (included in rental and property management expense)	29,227	36,524

iv Others

As at 31 December 2023 and 2022, the Group is not committed for lease agreements not yet commenced.

During the year ended 31 December 2023, the total cash outflow for leases amount to approximately RMB214,030,000 (2022: RMB226,477,000).

28. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost		
At the beginning and the end of the financial year	15,133	15,133
Carrying amounts		
At the end of the financial year	15,133	15,133

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

28. GOODWILL (Continued)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives set out as above have been allocated to three individual cash generating units (“CGUs”), comprising three subsidiaries in corporate and retail banking as at 31 December 2023 and 2022.

	2023 RMB'000	2022 RMB'000
Lingshui Huimin Village and Township Bank Co., Ltd.* (“陵水惠民村鎮銀行股份有限公司” (“Lingshui Huimin Village and Township Bank”)	1,010	1,010
Sanya Huimin Village Bank Co., Ltd.* (“三亞惠民村鎮銀行股份有限公司” (“Sanya Huimin Village and Township Bank”)	3,352	3,352
Qingdao Jimo Huimin Village Bank Co., Ltd.* (“青島即墨惠民村鎮銀行股份有限公司”), (“Qingdao Jimo Huimin Village and Township Bank”)	10,771	10,771
	15,133	15,133

* The English translation is for identification only.

During the years ended 31 December 2023 and 2022, management of the Group determines that there are no impairments of any of its CGUs containing goodwill with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

28. GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

Lingshui Huimin Village and Township Bank

The recoverable amount of this unit has been determined on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a ten-year period (2022: five-year period) with an average growth rate of 5.98% (2022: 2.61%), and pre-tax discount rate of 10% (2022: 13%). Cash flows beyond the ten-year period (2022: five-year period) are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 0% (2022: 3%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the region in which the CGU operates. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for the risk of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

28. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

Sanya Huimin Village and Township Bank

The recoverable amount of this unit has been determined on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a ten-year period (2022: five-year period) with an average growth rate of 13.17% per year (2022: 8.24%), and pre-tax discount rate of 10% (2022: 13%). Cash flows beyond the ten-year period (2022: five-year period) are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 0% (2022: 3%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the region in which the CGU operates. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for the risk of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

Qingdao Jimo Huimin Village and Township Bank

The recoverable amount of this unit has been determined on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a ten-year period (2022: five-year period) with an average growth rate of 9.11% (2022: 9.16%), and pre-tax discount rate of 10% (2022: 13%). Cash flows beyond the ten-year period (2022: five-year period) are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 0% (2022: 3%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the region in which the CGU operates. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for the risk of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

29. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	1,677,917	1,256,064
Deferred tax liabilities	(33,695)	(37,155)
	1,644,222	1,218,909

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior year:

	Provision for impairment losses on assets RMB'000 Note (i)	Change in fair value of financial asset at FVTOCI RMB'000 Note (ii)	Changes in fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Note (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2022	1,038,871	(28,969)	(77,543)	40,168	31,968	1,004,495
Credit to profit or loss	215,770	32	58,480	6,697	11,746	292,725
Credit to other comprehensive income	-	17,348	-	-	-	17,348
Acquisition of a subsidiary	6,941	-	-	-	8	6,949
Deemed disposal of a subsidiary	(58,901)	-	(6,503)	(2,767)	(34,437)	(102,608)
At 31 December 2022 and 1 January 2023	1,202,681	(11,589)	(25,566)	44,098	9,285	1,218,909
Credit to profit or loss	362,160	-	60,431	23,686	1,142	447,419
Charge to other comprehensive income	-	(22,263)	-	-	-	(22,263)
Others	-	157	-	-	-	157
At 31 December 2023	1,564,841	(33,695)	34,865	67,784	10,427	1,644,222

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

29. DEFERRED TAXATION (Continued)

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amounts of the relevant assets at the end of each reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amounts of qualifying assets at the end of each reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 31 December 2023, the Group has unused tax losses of approximately RMB271,560,000 (2022: approximately RMB176,392,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

30. OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Other receivables (Note (i))	277,700	233,450
Prepayments	31,670	27,928
Repossessed assets (Note (ii))	917,679	683,817
Long-term deferred expenses (Note (iii))	116,402	123,831
Interests receivable (Note (iv))	91,911	44,200
Others	7,563	7,940
	1,442,925	1,121,166

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

30. OTHER ASSETS (Continued)

Notes:

(i) Other receivables

	2023 RMB'000	2022 RMB'000
Other receivables	337,010	293,454
Less: Provision for impairment losses (Note)	(59,310)	(60,004)
	277,700	233,450

Note:

As at 31 December 2023, the Group has other receivables with gross amount of approximately RMB337,010,000 (2022: RMB293,454,000), and measures the loss allowance comprised of 12m ECL and lifetime ECL amounting to approximately RMB59,310,000 (2022: RMB60,004,000).

Movements of allowance for impairment losses

	2023 RMB'000	2022 RMB'000
At 1 January	60,004	39,561
Impairment losses recognised	63	26,809
Amounts written off as uncollectible	(757)	(687)
Deemed disposal of a subsidiary	-	(6,291)
Others	-	612
At 31 December	59,310	60,004

(ii) Repossessed assets

	2023 RMB'000	2022 RMB'000
Gross repossessed assets	934,169	699,201
Less: Provision for impairment losses	(16,490)	(15,384)
	917,679	683,817

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

30. OTHER ASSETS (Continued)

Notes: (Continued)

(ii) Repossessed assets (Continued)

Movements of allowance for impairment losses

	2023 RMB'000	2022 RMB'000
At 1 January	15,384	25,663
Impairment losses recognised	1,126	867
Amounts written off as uncollectible	(20)	(134)
Deemed disposal of a subsidiary	–	(11,012)
At 31 December	16,490	15,384

(iii) As at 31 December 2023, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and are amortised at straight line basis over the contract period. Amortisation of long-term deferred expenses for the year ended 31 December 2023 was approximately RMB21,898,000 (2022: RMB23,325,000).

(iv) Interests receivables

	2023 RMB'000	2022 RMB'000
Interests receivables	107,364	47,555
Less: Provision for impairment losses (Note)	(15,453)	(3,355)
	91,911	44,200

Note:

As at 31 December 2023, the Group has interests receivables in gross amount of approximately RMB107,364,000 (2022: RMB47,555,000), and measures the loss allowance comprised of 12m ECL and lifetime ECL amounting to approximately RMB15,453,000 (2022: RMB3,355,000).

Movements of allowance for impairment losses

	2023 RMB'000	2022 RMB'000
At 1 January	3,355	–
Impairment losses recognised	12,098	4,192
Deemed disposal of a subsidiary	–	(837)
At 31 December	15,453	3,355

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

31. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which are for repurchase agreements. The carrying amount of the financial assets pledged as collaterals as at 31 December 2023 is approximately RMB22,057,000 (2022: RMB50,243,000).

(b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

32. BORROWINGS FROM THE CENTRAL BANK

	2023 RMB'000	2022 RMB'000
Borrowings	535,248	3,679,330
Accrued interest	207	457
	535,455	3,679,787

33. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2023 RMB'000	2022 RMB'000
Deposits in Mainland China		
– Banks	110,087	3,416,260
Accrued interest	1,219	55,340
	111,306	3,471,600

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

34. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2023 RMB'000	2022 RMB'000
Placements in Mainland China		
– Banks	3,050,096	2,052,496
Accrued interest	14,441	327
	3,064,537	2,052,823

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2023 RMB'000	2022 RMB'000
In Mainland China		
– Banks	220,000	50,000
Accrued interest	57	21
	220,057	50,021

(b) Analysed by collateral

	2023 RMB'000	2022 RMB'000
Debt securities	220,057	50,021

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

36. DEPOSITS FROM CUSTOMERS

	2023 RMB'000	2022 RMB'000
Demand deposits		
– Corporate customers	31,436,997	42,187,621
– Individual customers	16,001,854	15,817,824
	47,438,851	58,005,445
Time deposits		
– Corporate customers	8,020,693	8,658,831
– Individual customers	178,048,464	157,255,275
	186,069,157	165,914,106
Pledged deposits		
– Acceptances	954,769	1,835,965
– Guarantees and letters of guarantees	1,149,830	497,021
	2,104,599	2,332,986
Others	1,041,506	1,092,563
Accrued interest	5,552,500	4,946,763
	242,206,613	232,291,863

37. ACCRUED STAFF COSTS

	2023 RMB'000	2022 RMB'000
Salary and bonus payable	177,253	182,852
Social pension schemes payable	339	492
Other social insurances payable	1,662	1,840
Other staff welfare payable	7,856	8,102
	187,110	193,286

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

38. DEBT SECURITIES ISSUED

	2023 RMB'000	2022 RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	2,796,672	2,796,031
Interbank deposits (Note (ii))	499,386	2,475,991
	3,296,058	5,272,022
Accrued interest	79,152	79,187
	3,375,210	5,351,209

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued (unsecured)
- (a) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30% p.a.. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 31 December 2023, this fixed rate tier-two capital bonds is approximately RMB799,693,000 (2022: approximately RMB799,453,000).
- (b) Tier-two capital bonds at a face value of RMB2,000,000,000 with a term of ten years were issued on 20 July 2021. The coupon rate is 4.80% p.a.. The Group has an option to redeem the debts on 20 October 2026 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.82%. As at 31 December 2023, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB1,996,979,000 (2022: 1,996,579,000).
- (ii) Interbank deposits (unsecured)
- (a) For the year ended 31 December 2023, the Bank issued a zero coupon interbank deposit with nominal amount of RMB500,000,000 and repayable within 1 year. As at 31 December 2023, the outstanding balance of the interbank deposit issued is approximately RMB499,386,000. The effective interest rate per annum on the Group's interbank deposit issued is 2.85%.
- (b) For the year ended 31 December 2022, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB2,500,000,000 and repayable within 1 year. As at 31 December 2022, the outstanding balance of interbank deposits issued is approximately RMB2,475,991,000. The range of effective interest rates per annum on the Group's interbank deposits issued is 2.85% to 3.5%.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

39. OTHER LIABILITIES

	2023 RMB'000	2022 RMB'000
Other payables and accrued expenses	567,031	516,327
Clearance of inter-bank accounts	3,047	14,607
Other taxes payables	110,323	130,600
Agency business liabilities	57	57
Dividend payable	134	478
Deposits under finance lease arrangement and unearned revenue (Note (a))	40,174	65,983
Provision for credit commitments and financial guarantees (Note (b))	42,402	74,063
	763,168	802,115

Notes:

- (a) Deposits under finance lease arrangement and unearned revenue mainly represents finance leases deposits payable and deferred income received under finance leases for which the income will be amortised over the leasing periods.
- (b) As at 31 December 2023 and 2022, the Group classifies all provision for credit commitments and financial guarantees in Stage 1, and measures the loss allowance equal to 12m ECL.

Movement of provision for impairment losses:

	2023 RMB'000	2022 RMB'000
At 1 January	74,063	60,465
Impairment losses recognised	–	13,598
Reversal of impairment losses	(31,661)	–
At 31 December	42,402	74,063

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

40. SHARE CAPITAL

Share capital as at the end of the reporting period are as follows:

	2023 '000	2022 '000
Registered, issued and fully paid ordinary shares of RMB1 each: – Ordinary shares	5,074,192	5,074,192
At the beginning of the year	5,074,192	4,612,901
Share increase by converting capital reserve into new shares (Note)	–	461,291
At end of the year	5,074,192	5,074,192

Note: On 26 August 2022, the Bank issued 461,290,142 ordinary shares with a par value of RMB1 per share by way of capitalisation issue of capital reserve of the Bank on the basis of ten new shares for every one hundred existing shares. The new shares rank pari passu with the existing shares in all respects. Total ordinary shares are increased to 5,074,191,569.

As at the end of reporting period, the Bank's issued shares (in thousands of shares) is as follows:

	2023 '000	2022 '000
Domestic shareholders	4,107,691	4,107,691
H shareholders	966,501	966,501
At end of the year	5,074,192	5,074,192

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

41. CAPITAL RESERVE

	2023 RMB'000	2022 RMB'000
Share premium	3,961,894	3,961,894
Changes in ownership in subsidiaries without changes in control	294,863	294,863
	4,256,757	4,256,757

42. SURPLUS RESERVE AND GENERAL RESERVE

(a) Surplus reserve

The surplus reserve at the end of each reporting period represents statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 31 December 2023 is approximately RMB1,220,689,000 (2022: approximately RMB1,207,096,000), and other surplus reserve of approximately RMB16,659,000 as at 31 December 2023 (2022: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

43. DIVIDENDS

	2023 RMB'000	2022 RMB'000
2022 final dividend (Note a)	—	—
2021 final dividend (Note b)	—	—

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2022 on 16 June 2023, the Board of the Bank does not recommend any distribution of final dividend for the year ended 31 December 2022.
- (b) Pursuant to the resolution of the shareholders meeting of 2021 on 17 June 2022, the Board of the Bank does not recommend any distribution of final dividend for the year ended 31 December 2021.

Subsequent to the end of the reporting period, the Board of the Bank does not recommend any distribution of final dividend for the year ended December 31, 2023, which shall be subject to approval by the shareholders in the forthcoming general meeting on 23 May 2024.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

44. UNCONSOLIDATED STRUCTURED ENTITIES

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts (excluding accrued interest) of interests held by the Group as at 31 December 2023 and 2022:

	31 December 2023				
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Financial assets measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	-	-	6,089,576	6,089,576	6,089,576
Asset management plans	-	-	3,167,283	3,167,283	3,167,283
	-	-	9,256,859	9,256,859	9,256,859

	31 December 2022				
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Financial assets measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	-	-	6,148,234	6,148,234	6,148,234
Asset management plans	-	-	4,167,655	4,167,655	4,167,655
Investment funds	1,002,961	-	-	1,002,961	1,002,961
	1,002,961	-	10,315,889	11,318,850	11,318,850

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

44. UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(ii) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

This type of unconsolidated structured entities sponsored by the Group includes non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing wealth management services as disclosed in Note 7.

As at 31 December 2023, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB3,607,330,000 and (2022: approximately RMB4,831,910,000).

(iii) Unconsolidated structured entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2023 and 2022:

During the year ended 31 December 2023, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to approximately RMB2,427,670,000 (2022: approximately RMB5,397,960,000).

45. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBIRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

45. CAPITAL MANAGEMENT (Continued)

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)” and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)”. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the years ended 31 December 2023 and 2022, the Group has complied with all its externally imposed capital requirements.

The Group’s capital adequacy ratios as at 31 December 2023 and 2022 calculated in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)” and relevant requirements promulgated by the former CBRC are as follows:

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

45. CAPITAL MANAGEMENT (Continued)

	2023 RMB'000	2022 RMB'000
Total core tier-one capital		
Share capital	5,074,192	5,074,192
Qualifying portion of capital reserve	4,256,757	4,256,757
Investment revaluation reserve	107,615	56,566
Surplus reserve	1,237,348	1,223,755
General reserve	2,747,228	2,636,746
Retained earnings	2,684,172	2,639,899
Qualifying portions of non-controlling interests	1,483,440	1,502,817
Core tier-one capital deductions (Notes)	(561,553)	(150,534)
Net core tier-one capital	17,029,199	17,240,198
Eligible portion of non-controlling interests	184,816	194,181
Net tier-one capital	17,214,015	17,434,379
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,320,000	2,480,000
Surplus provision for loan impairment	2,266,975	1,954,341
Eligible portion of non-controlling interests	362,943	384,615
Net capital base	22,163,933	22,253,335
Total risk weighted assets	195,299,860	193,589,075
Core tier-one capital adequacy ratio	8.72%	8.91%
Tier-one capital adequacy ratio	8.81%	9.01%
Capital adequacy ratio	11.35%	11.50%

Notes:

Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill, deferred tax assets recognised for tax losses and other regulatory deductions.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

46. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	2023 RMB'000	2022 RMB'000
Cash on hand	674,951	686,545
Deposits with the central bank	13,875,553	21,320,674
Deposits with banks and other financial institutions	9,653,805	9,097,880
Placements with banks and other financial institutions	349,950	370,000
Financial assets held under resale agreements	7,539,819	9,564,355
Total	32,094,078	41,039,454

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	2023	2022
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	9.61%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	8.23%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(a) Related parties of the Group (Continued)

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 47(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associates

	2023 RMB'000	2022 RMB'000
Transactions during the year		
Interest income	56,650	64,467
Rental income	–	3,400
Interest expense	8,094	19,376
Gain on disposal of property and equipment	–	53,941

	2023 RMB'000	2022 RMB'000
Balances at end of the year		
Deposits with banks and other financial institutions	2,455,064	3,462,242
Financial assets held under resale agreements	70,025	–
Deposits from banks and other financial institutions	–	655,866
Placements from banks and other financial institutions	100,122	–

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions between the Group and major shareholders

	2023 RMB'000	2022 RMB'000
Transactions during the year		
Interest income	128,503	43,322
Interest expense	957	280

	2023 RMB'000	2022 RMB'000
Balances at end of the year		
Placements with banks and other financial institutions	350,136	70,016
Loans and advances to customers	547,350	577,573
Deposits from customers	60,661	97,530

(iv) Transactions between the Group and other related parties

	2023 RMB'000	2022 RMB'000
Transactions during the year		
Interest income	110,299	33,445
Interest expense	621	996

	2023 RMB'000	2022 RMB'000
Balances at end of the year		
Loans and advances to customers	567,799	714,212
Deposits from customers	13,532	248,739
Debt securities	240,000	–

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	2023 RMB'000	2022 RMB'000
Transactions during the year		
Interest income	80	178
Interest expense	1,445	919

	2023 RMB'000	2022 RMB'000
Balances at end of the year		
Loans and advances to customers	272	3,198
Deposits from customers	47,377	47,506

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2023 RMB'000	2022 RMB'000
Short-term staff benefits	20,880	18,943
Retirement benefits		
– Basic social pension insurance	–	1,857
	20,880	20,800

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

47. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	2023 RMB'000	2022 RMB'000
Loans and advances to directors, supervisors and officers	272	3,198

48. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Treasury operations

This segment covers the Group's treasury operations. The treasury operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

48. SEGMENT REPORTING (Continued)

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expenses)". Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "internal net interest (expenses)/income".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and expenses are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, land use rights and other long-term assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

48. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Year ended 31 December 2023				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/ (expenses)	8,423,399	(4,490,792)	1,595,761	(11)	5,528,357
Internal net interest (expenses)/ income	(4,853,408)	7,357,109	(2,503,701)	-	-
Net interest income/(expenses)	3,569,991	2,866,317	(907,940)	(11)	5,528,357
Net fee and commission income	(8,618)	5,843	22,399	-	19,624
Net trading losses	-	-	(47,532)	-	(47,532)
Dividend income	-	-	-	7,784	7,784
Net gains arising from investment securities	-	-	154,879	-	154,879
Net exchange gains	-	-	-	3,568	3,568
Other operating expenses, net	-	-	-	(152,356)	(152,356)
Operating income/(loss)	3,561,373	2,872,160	(778,194)	(141,015)	5,514,324
Operating expenses	(1,717,262)	(1,476,443)	(116,155)	(29,023)	(3,338,883)
Impairment losses on assets, net of reversals	(987,823)	(360,648)	(748,067)	(13,286)	(2,109,824)
Operating profit/(loss)	856,288	1,035,069	(1,642,416)	(183,324)	65,617
Share of profits of associates	-	-	-	781	781
Profit/(loss) before tax	856,288	1,035,069	(1,642,416)	(182,543)	66,398
Segment assets	151,418,186	29,042,178	85,455,719	2,214,685	268,130,768
Deferred tax assets	-	-	-	1,644,222	1,644,222
Total assets	151,418,186	29,042,178	85,455,719	3,858,907	269,774,990
Segment liabilities	(43,961,173)	(198,883,759)	(7,410,963)	(654,424)	(250,910,319)
Dividend payable	-	-	-	(134)	(134)
Total liabilities	(43,961,173)	(198,883,759)	(7,410,963)	(654,558)	(250,910,453)
Other segment information					
- Depreciation and amortisation	238,463	195,948	18,305	360	453,076
- Capital expenditure	45,249	39,955	3,150	232	88,586

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

48. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2022				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/ (expenses)	9,020,354	(3,792,793)	1,287,412	(33)	6,514,940
Internal net interest (expenses)/ income	(4,565,635)	7,096,605	(2,530,970)	-	-
Net interest income	4,454,719	3,303,812	(1,243,558)	(33)	6,514,940
Net fee and commission income	33,501	9,981	38,162	-	81,644
Net trading gains	-	-	95,101	-	95,101
Dividend income	-	-	-	21,423	21,423
Net gains arising from investment securities	-	-	98,551	-	98,551
Losses on deemed disposal of a subsidiary	-	-	-	(208,561)	(208,561)
Net exchange gains	-	-	-	8,025	8,025
Other operating expense, net	-	-	-	(14,056)	(14,056)
Operating income/(losses)	4,488,220	3,313,793	(1,011,744)	(193,202)	6,597,067
Operating expenses	(1,697,056)	(1,485,089)	(45,282)	(38,750)	(3,266,177)
Impairment losses on assets, net of reversals	(808,476)	(333,847)	(186,692)	(31,867)	(1,360,882)
Operating profit/(loss)	1,982,688	1,494,857	(1,243,718)	(263,819)	1,970,008
Share of profits of associates	-	-	-	13,469	13,469
Profit/(loss) before tax	1,982,688	1,494,857	(1,243,718)	(250,350)	1,983,477
Segment assets	152,650,278	22,120,672	88,446,324	2,564,566	265,781,840
Deferred tax assets	-	-	-	1,218,909	1,218,909
Total assets	152,650,278	22,120,672	88,446,324	3,783,475	267,000,749
Segment liabilities	(55,727,425)	(177,447,680)	(14,650,805)	(555,015)	(248,380,925)
Dividend payable	-	-	-	(478)	(478)
Total liabilities	(55,727,425)	(177,447,680)	(14,650,805)	(555,493)	(248,381,403)
Other segment information					
- Depreciation and amortisation	256,706	222,275	7,575	768	487,324
- Capital expenditure	82,481	83,778	917	450	167,626

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

48. SEGMENT REPORTING (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipment, long-term deferred expenses and right-of-use assets. In presenting geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 13 (2022: 13) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income	
	2023 RMB'000	2022 RMB'000
Jilin Region	4,622,928	5,651,603
Mainland China excluding Jilin Region	891,396	945,464
	5,514,324	6,597,067

	Non-current asset	
	2023 RMB'000	2022 RMB'000
Jilin Region	2,387,301	2,678,050
Mainland China excluding Jilin Region	759,224	739,195
	3,146,525	3,417,245

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group's risk management policies are designed and controls are set up to identify, analyse, monitor and report risks arising from normal operation. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk, market risk (i.e. interest rate risk and exchange rate risk and price risk).

(a) Credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather 12m ECL.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The five category classifications in which the Group classifies its loans and advances to customers and financial assets at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12m ECL
		Lifetime ECL – not credit impaired (Only if 30 days to 90 days past due)
		Lifetime ECL – credit impaired (Only if more than 90 days past due and no reason to doubt their ability to repay principal and interest in full on a timely basis)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	12m ECL
		Lifetime ECL – not credit impaired
		Lifetime ECL – credit impaired (Only if more than 90 days past due and repayment may be adversely affected by specific factors)
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL – credit impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL – credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL – credit impaired

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

Loans and advances to customers and financial assets at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

Financial assets at FVTOCI

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Placements with banks and other financial institutions

The Group has applied the general approach in IFRS 9 to measure ECL. All placements with banks and other financial institutions are at Stage 1 of which the loss allowance is measured at 12m ECL.

Deposits with banks and other financial institutions

The Group has applied the general approach in IFRS 9 to measure ECL. All deposits with banks and other financial institutions are at Stage 1 of which the loss allowance is measured at 12m ECL.

Financial assets held under resale agreements

The Group has applied the general approach in IFRS 9 to measure ECL. All financial assets held under resale agreements are at Stage 1 of which the loss allowance is measured at 12m ECL.

Credit commitments and financial guarantees

The Group has applied the general approach in IFRS 9 to measure ECL. All financial guarantees and loans commitment are at Stage 1 of which the loss allowance is measured at 12m ECL.

Other receivables

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding accrued interest) analysed by the rating agency designations as at the end of each reporting period are as follows:

	At 31 December 2023			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
– AAA	3,355,654	–	–	3,355,654
– AA- to AA	250,460	–	–	250,460
– Unrated (Note)	24,463,718	–	150	24,463,868
	28,069,832	–	150	28,069,982
Provision for impairment loss	(901)	–	(150)	(1,051)
	28,068,931	–	–	28,068,931

	At 31 December 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
– AAA	107,523	–	–	107,523
– AA- to AA	300,000	–	–	300,000
– Unrated (Note)	20,199,312	–	150	20,199,462
	20,606,835	–	150	20,606,985
Provision for impairment loss	(297)	–	(150)	(447)
	20,606,538	–	–	20,606,538

Note:

Unrated debt securities held by the Group are mainly issued by the Mainland China government and policy banks.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by our board. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) *The following tables indicate the assets and liabilities at 31 December 2023 and 2022 by the expected next repricing dates or by maturity dates, depending on which is earlier:*

	At 31 December 2023					
	Total RMB'000	Non- interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	27,149,571	674,951	26,474,620	-	-	-
Deposits with banks and other financial institutions	12,144,867	42,529	9,646,321	2,456,017	-	-
Placements with banks and other financial institutions	372,934	134	349,950	22,850	-	-
Financial assets held under resale agreements	7,543,621	3,802	7,539,819	-	-	-
Loans and advances to customers (Note (i))	176,431,732	4,874,821	24,821,271	36,758,317	101,469,914	8,507,409
Investments (Note (iii))	38,696,032	2,713,755	7,772,952	6,357,533	13,535,586	8,316,206
Others	7,436,233	7,436,233	-	-	-	-
	269,774,990	15,746,225	76,604,933	45,594,717	115,005,500	16,823,615
Liabilities						
Borrowings from the central bank	535,455	207	84,227	451,021	-	-
Deposits from banks and other financial institutions	111,306	1,219	110,087	-	-	-
Placements from banks and other financial institutions	3,064,537	14,441	392,496	2,657,600	-	-
Provision for credit commitments and financial guarantees	42,402	42,402	-	-	-	-
Financial assets sold under repurchase agreements	220,057	57	220,000	-	-	-
Deposits from customers	242,206,613	5,552,500	69,429,596	23,649,911	125,576,674	17,997,932
Debt securities issued	3,375,210	79,152	499,386	-	799,693	1,996,979
Others	1,354,873	1,354,873	-	-	-	-
	250,910,453	7,044,851	70,735,792	26,758,532	126,376,367	19,994,911
Asset-liability gap	18,864,537	8,701,374	5,869,141	18,836,185	(11,370,867)	(3,171,296)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) *The following tables indicate the assets and liabilities at 31 December 2023 and 2022 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)*

	At 31 December 2022					
	Total RMB'000	Non- interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	34,642,750	686,712	33,956,038	-	-	-
Deposits with banks and other financial institutions	11,092,260	30,850	9,766,456	1,294,954	-	-
Placements with banks and other financial institutions	425,218	288	370,000	54,930	-	-
Financial assets held under resale agreements	9,570,521	6,166	9,564,355	-	-	-
Loans and advances to customers (Note (i))	170,597,441	3,927,580	32,078,459	76,676,918	49,317,450	8,597,034
Investments (Note (ii))	33,726,665	2,845,176	7,183,363	6,782,537	8,182,862	8,732,727
Others	6,945,894	6,945,894	-	-	-	-
	267,000,749	14,442,666	92,918,671	84,809,339	57,500,312	17,329,761
Liabilities						
Borrowings from the central bank	3,679,787	457	574,090	3,105,240	-	-
Deposits from banks and other financial institutions	3,471,600	55,340	1,971,260	1,445,000	-	-
Placements from banks and other financial institutions	2,052,823	327	52,496	2,000,000	-	-
Provision for credit commitments and financial guarantees	74,063	74,063	-	-	-	-
Financial assets sold under repurchase agreements	50,021	21	50,000	-	-	-
Deposits from customers	232,291,863	4,946,763	81,878,231	27,448,959	118,017,910	-
Debt securities issued	5,351,209	79,187	499,766	1,976,224	799,453	1,996,579
Others	1,410,037	1,410,037	-	-	-	-
	248,381,403	6,566,195	85,025,843	35,975,423	118,817,363	1,996,579
Asset-liability gap	18,619,346	7,876,471	7,892,828	48,833,916	(61,317,051)	15,333,182

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2023 and 2022 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

- (i) As at 31 December 2023, for loans and advances to customers, the category “Less than three months” includes overdue amounts (excluding accrued interest and net of provision for impairment losses) of approximately RMB5,264,050,000 (2022: approximately RMB2,122,748,000).
- (ii) Investments include financial assets at FVTPL, financial assets at FVTOCI, and financial assets measured at amortised cost.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group’s net profit or loss and equity. As at 31 December 2023, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group’s net profit to decrease approximately RMB97,751,000 (2022: increase approximately RMB115,154,000), and the Group’s equity to decrease approximately RMB625,829,000 (2022: increase approximately RMB432,847,000); a decrease in estimated interest rate of 100 basis points will cause the Group’s net profit to increase approximately RMB97,751,000 (2022: decrease approximately RMB115,154,000), and the Group’s equity to increase approximately RMB625,829,000 (2022: decrease approximately RMB432,847,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group;
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2023 and 2022 are as follows:

	At 31 December 2023			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	27,147,947	935	689	27,149,571
Deposits with banks and other financial institutions	12,136,332	7,937	598	12,144,867
Placement with banks and other financial institutions	372,934	-	-	372,934
Financial assets held under resale agreements	7,543,621	-	-	7,543,621
Financial assets at fair value through profit or loss	667,376	-	-	667,376
Loans and advances to customers	176,423,482	8,250	-	176,431,732
Financial assets at fair value through other comprehensive income	14,572,090	-	-	14,572,090
Financial assets measured at amortised cost	23,456,566	-	-	23,456,566
Others	7,436,233	-	-	7,436,233
	269,756,581	17,122	1,287	269,774,990
Liabilities				
Borrowings from the central bank	535,455	-	-	535,455
Deposits from banks and other financial institutions	106,316	4,990	-	111,306
Placements from banks and other financial institutions	3,064,537	-	-	3,064,537
Provision for credit commitments and financial guarantees	42,402	-	-	42,402
Financial assets sold under repurchase agreements	220,057	-	-	220,057
Deposits from customers	242,205,875	672	66	242,206,613
Debt securities issued	3,375,210	-	-	3,375,210
Others	1,354,873	-	-	1,354,873
	250,904,725	5,662	66	250,910,453
Net position	18,851,856	11,460	1,221	18,864,537
Off-balance sheet credit commitments	4,793,793	-	-	4,793,793

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2023 and 2022 are as follows: (Continued)

	At 31 December 2022			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	34,641,222	713	815	34,642,750
Deposits with banks and other financial institutions	11,063,619	26,019	2,622	11,092,260
Placement with banks and other financial institutions	425,218	–	–	425,218
Financial assets held under resale agreements	9,570,521	–	–	9,570,521
Financial assets at fair value through profit or loss	1,909,099	–	–	1,909,099
Loans and advances to customers	170,589,428	8,013	–	170,597,441
Financial assets at fair value through other comprehensive income	4,019,840	–	–	4,019,840
Financial assets measured at amortised cost	27,797,726	–	–	27,797,726
Others	6,945,894	–	–	6,945,894
	266,962,567	34,745	3,437	267,000,749
Liabilities				
Borrowings from the central bank	3,679,787	–	–	3,679,787
Deposits from banks and other financial institutions	3,466,756	4,844	–	3,471,600
Placements from banks and other financial institutions	2,052,823	–	–	2,052,823
Provision for credit commitments and financial guarantees	74,063	–	–	74,063
Financial assets sold under repurchase agreements	50,021	–	–	50,021
Deposits from customers	232,279,400	12,398	65	232,291,863
Debt securities issued	5,351,209	–	–	5,351,209
Others	1,410,037	–	–	1,410,037
	248,364,096	17,242	65	248,381,403
Net position	18,598,471	17,503	3,372	18,619,346
Off-balance sheet credit commitments	6,987,766	–	–	6,987,766

As the net position of the Group's foreign currency is immaterial, the foreign currency risk is immaterial and no sensitivity analysis is presented.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Group's funds.

The assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2023 and 2022:

	At 31 December 2023						
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than	Between	Between	More than five years RMB'000	Total RMB'000
			three months RMB'000	three months and one year RMB'000	one year and five years RMB'000		
Assets							
Cash and deposits with the central bank	14,550,504	12,599,067	-	-	-	-	27,149,571
Deposit with banks and other financial institutions	7,998,888	-	1,679,631	2,466,348	-	-	12,144,867
Placements with banks and other financial institutions	-	-	350,056	22,878	-	-	372,934
Financial assets held under resale agreements	-	-	7,543,621	-	-	-	7,543,621
Financial assets at fair value through profit or loss	-	667,376	-	-	-	-	667,376
Financial assets at fair value through other comprehensive income	-	144,730	620,045	1,182,825	7,395,487	5,229,003	14,572,090
Loans and advances to customers	474,001	4,820,404	13,821,040	39,451,989	105,692,476	12,171,822	176,431,732
Financial assets measured at amortised costs	7,211,971	-	1,528,744	5,320,363	6,285,449	3,110,039	23,456,566
Others	99,473	7,027,390	-	23,303	286,067	-	7,436,233
	30,334,837	25,258,967	25,543,137	48,467,706	119,659,479	20,510,864	269,774,990
Liabilities							
Borrowings from the central bank	-	-	84,365	451,090	-	-	535,455
Deposits from banks and other financial institutions	40,099	-	71,207	-	-	-	111,306
Placements from banks and other financial institutions	2,496	-	394,306	2,667,735	-	-	3,064,537
Provision for credit commitments and financial guarantees	5,111	88	1,127	29,740	6,336	-	42,402
Financial assets sold under repurchase agreements	-	-	220,057	-	-	-	220,057
Deposits from customers	53,157,426	-	17,158,888	24,445,621	127,708,464	19,736,214	242,206,613
Debt securities issued	-	-	499,386	79,152	799,693	1,996,979	3,375,210
Others	610,448	-	390,228	38,631	280,091	35,475	1,354,873
	53,815,580	88	18,819,564	27,711,969	128,794,584	21,768,668	250,910,453
(Short)/Long position	(23,480,743)	25,258,879	6,723,573	20,755,737	(9,135,105)	(1,257,804)	18,864,537

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2023 and 2022: (Continued)

	At 31 December 2022						
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	22,007,219	12,635,364	167	-	-	-	34,642,750
Deposit with banks and other financial institutions	8,824,401	-	963,303	1,304,556	-	-	11,092,260
Placements with banks and other financial institutions	-	-	370,288	54,930	-	-	425,218
Financial assets held under resale agreements	-	-	9,570,521	-	-	-	9,570,521
Financial assets at fair value through profit or loss	-	906,138	1,002,961	-	-	-	1,909,099
Financial assets at fair value through other comprehensive income	-	141,267	45,004	121,176	839,337	2,873,056	4,019,840
Loans and advances to customers	3,090,933	6,215,095	18,478,006	78,424,656	52,639,466	11,749,285	170,597,441
Financial assets measured at amortised costs	6,160,768	-	1,042,647	7,093,511	7,641,129	5,859,671	27,797,726
Others	52,140	6,632,376	-	13,115	248,263	-	6,945,894
	40,135,461	26,530,240	31,472,897	87,011,944	61,368,195	20,482,012	267,000,749
Liabilities							
Borrowings from the central bank	-	-	574,547	3,105,240	-	-	3,679,787
Deposits from banks and other financial institutions	11,261	-	2,006,105	1,454,234	-	-	3,471,600
Placements from banks and other financial institutions	2,496	-	50,327	2,000,000	-	-	2,052,823
Provision for credit commitments and financial guarantees	47	-	8,993	35,952	23,734	5,337	74,063
Financial assets sold under repurchase agreements	-	-	50,021	-	-	-	50,021
Deposits from customers	71,152,928	-	11,711,814	30,399,901	119,027,220	-	232,291,863
Debt securities issued	-	-	499,766	2,055,411	799,453	1,996,579	5,351,209
Others	597,458	-	420,171	112,975	232,340	47,093	1,410,037
	71,764,190	-	15,321,744	39,163,713	120,082,747	2,049,009	248,381,403
(Short)/Long position	(31,628,729)	26,530,240	16,151,153	47,848,231	(58,714,552)	18,433,003	18,619,346

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2023 and 2022: (Continued)

Note:

Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Unlisted equity investments are included in the category of indefinite.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments by remaining contractual maturities at 31 December 2023 and 2022:

	At 31 December 2023						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	535,455	541,410	-	84,531	456,879	-	-
Deposits from bank and other financial institutions	111,306	121,986	40,098	81,888	-	-	-
Placements from bank and other financial institutions	3,064,537	3,118,306	2,496	437,173	2,678,637	-	-
Financial assets sold under repurchase agreements	220,057	220,079	-	220,079	-	-	-
Deposits from customers	242,206,613	246,249,956	53,157,426	17,278,228	24,616,676	130,713,150	20,484,476
Debt securities issued	3,375,210	4,168,800	-	500,000	146,400	1,234,400	2,288,000
Others	1,354,873	1,385,194	610,448	390,437	39,829	301,182	43,298
	250,868,051	255,805,731	53,810,468	18,992,336	27,938,421	132,248,732	22,815,774
Off-balance sheet credit commitments	42,402	4,793,793	515,263	337,153	3,312,583	628,794	-

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments by remaining contractual maturities at 31 December 2023 and 2022: (Continued)

	At 31 December 2022						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between	Between	More than five years
					three months and one year	one year and five years	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	3,679,787	3,722,537	-	591,550	3,130,987	-	-
Deposits from bank and other financial institutions	3,471,600	3,504,313	11,261	2,017,164	1,475,888	-	-
Placements from bank and other financial institutions	2,052,823	2,077,263	2,496	64,311	2,010,456	-	-
Financial assets sold under repurchase agreements	50,021	50,029	-	50,029	-	-	-
Deposits from customers	232,291,863	235,914,690	71,152,928	11,733,137	30,664,558	122,364,067	-
Debt securities issued	5,351,209	6,389,700	-	517,500	2,203,400	1,284,800	2,384,000
Others	1,410,037	1,457,492	597,458	421,870	119,859	260,333	57,972
	248,307,340	253,116,024	71,764,143	15,395,561	39,605,148	123,909,200	2,441,972
Off-balance sheet credit commitments	74,063	6,987,766	519,632	1,432,545	3,166,671	1,571,517	297,401

Note:

The interest payables at 31 December 2023 and 2022 are included in the carrying amounts of respective items of financial liabilities.

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

49. FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) *Debt securities*

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) *Receivables and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) *Debt securities issued and other non-derivative financial liabilities*

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Cash and deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at FVTPL and financial assets at FVTOCI are stated at fair value. The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central bank, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The carrying amounts of financial liabilities are approximate to their fair value.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value (excluding accrued interest) in the consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same and discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2023			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– unlisted equity investments measured at FVTPL	–	–	667,376	667,376
Financial assets at FVTOCI				
– debt securities	–	14,290,047	–	14,290,047
– unlisted equity investments measured at FVTOCI	–	–	144,730	144,730
	–	14,290,047	812,106	15,102,153

	At 31 December 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– unlisted equity investments measured at FVTPL	–	–	906,138	906,138
– other debt instruments	–	1,002,961	–	1,002,961
Financial assets at FVTOCI				
– debt securities	–	3,839,917	–	3,839,917
– unlisted equity investments measured at FVTOCI	–	–	141,267	141,267
	–	4,842,878	1,047,405	5,890,283

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

During the year ended 31 December 2023 and 2022, there were no transfers between level 1, 2 and 3 of fair value hierarchy.

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	31 December 2023 RMB'000	31 December 2022 RMB'000				
Financial assets at FVTPL						
Unlisted equity investments measured at FVTPL	383,989	889,259	Level 3	Market approach adopted. The value is based on price-to-book ratio ("PB ratio"), adjusted by discount for lack of marketability ("DLOM").	The PB ratio is 0.52 (2022: 0.78). The DLOM is 10% (2022: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
	283,387	16,879	Level 3	Based on recent transaction price.	Recent transaction price	The higher the recent transaction price, the higher the fair value
Other debt instruments	-	1,002,961	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Financial assets at FVTOCI						
Debt securities – listed	14,290,047	3,839,917	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTOCI	144,730	141,267	Level 3	Based on recent transaction price. (Note (iii)) (2022: Market approach adopted. The value is based on PB ratio, adjusted by DLOM.)	Recent transaction price (2022: The PB ratio is 0.78. The DLOM is 10%)	The higher the recent transaction price, the higher the fair value (2022: The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. Note (ii))

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

Notes:

- (i) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by approximately RMB1,314,000 (2022: approximately RMB34,621,000) and vice versa.
- A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by approximately RMB2,131,000 (2022: approximately RMB3,847,000) and vice versa.
- (ii) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by approximately RMBNil (2022: approximately RMB1,855,000) and vice versa.
- A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMBNil (2022: approximately RMB206,000) and vice versa.
- (iii) During the year ended 31 December 2023, management changes the valuation techniques. Management has assessed that the change in valuation techniques better reflects the fair value measurement of the investments.

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investment		Total RMB'000
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	
At 1 January 2022	1,044,407	178,450	1,222,857
Fair value losses recognised in profit or loss	(138,269)	–	(138,269)
Fair value gain recognised in OCI	–	(25,580)	(25,580)
Deemed disposal of a subsidiary (Note 56)	–	(10,200)	(10,200)
Disposals	–	(1,403)	(1,403)
At 31 December 2022 and 1 January 2023	906,138	141,267	1,047,405
Fair value losses recognised in profit or loss	(238,762)	–	(238,762)
Fair value gain recognised in OCI	–	3,895	3,895
Disposals	–	(432)	(432)
At 31 December 2023	667,376	144,730	812,106

The above fair value losses and gains of approximately RMB238,762,000 and RMB3,895,000 (2022: fair value losses of approximately RMB138,269,000 and RMB25,580,000) respectively are included in net trading gains and investment revaluation reserve for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

51. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	2023 RMB'000	2022 RMB'000
Entrusted loans	18,841,234	24,086,281
Entrusted funds	18,842,260	24,087,307

52. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of acceptances, letters of guarantees, letters of credit and unused credit card commitments.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	2023 RMB'000	2022 RMB'000
Acceptances	1,716,626	2,410,505
Letters of guarantees	2,911,364	4,411,457
Letters of credit	1,961	3,738
Unused credit card commitments	163,842	162,066
	4,793,793	6,987,766

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

52. COMMITMENTS (Continued)

(a) Credit commitments (Continued)

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Capital commitments

At 31 December 2023 and 2022, the Group's authorised capital commitments are as follows:

	2023 RMB'000	2022 RMB'000
Purchase of property and equipment – Contracted for but not provided	–	7,223

53. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. At 31 December 2023 and 2022, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year ended 31 December 2022, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

(a) For the year ended 31 December 2022

(i) Dilution of interest in Huimin Bank of Wenan Co., Ltd. (“文安縣惠民村鎮銀行股份有限公司”, “Huimin Bank of Wenan”) without loss of control

During the year ended 31 December 2022, Huimin Bank of Wenan issued 5,300,000 ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group’s ownership was diluted from 36.00% to 32.01%. This resulted in an increase in non-controlling interests of approximately RMB13,112,000 and a decrease in equity attributable to owners of the Bank of approximately RMB1,452,000.

As at the date of dilution of interest, the Group had signed contracts with six shareholders of Huimin Bank of Wenan in 2022, which hold total 20.08% equity interest in Huimin Bank of Wenan. Pursuant to agreement, these six shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Huimin Bank of Wenan and therefore, Huimin Bank of Wenan is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follows:

	RMB'000
Carrying amount of the interest diluted	(13,112)
Consideration received from non-controlling interests	11,660
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Loss recognised in capital reserve within equity	(1,452)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the year ended 31 December 2022, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2022 (Continued)

(ii) Dilution of interest in Jingmen Dongbao Huimin Village Bank Co., Ltd. (“荆門東寶惠民村鎮銀行股份有限公司”, “Jingmen Dongbao Huimin Village Bank”) without loss of control

During the year ended 31 December 2022, Jingmen Dongbao Huimin Village Bank issued 5,320,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group’s ownership was diluted from 33.15% to 31.19%. This resulted in an increase in non-controlling interests of approximately RMB4,942,000 and an increase in equity attributable to owners of the Bank of approximately RMB378,000.

As at the date of dilution of interest, the Group had signed contracts with five shareholders of Jingmen Dongbao Huimin Village Bank, which hold total 22.25% equity interest in Jingmen Dongbao Huimin Village Bank. Pursuant to agreement, these five shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jingmen Dongbao Huimin Village Bank and therefore, Jingmen Dongbao Huimin Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follows:

	RMB'000
Carrying amount of the interest diluted	(4,942)
Consideration received from non-controlling interests	5,320
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Gain recognised in capital reserve within equity	378

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the year ended 31 December 2022, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2022 (Continued)

(iii) Acquisition of additional interest in Qingyuan Qingxin Huimin Village and Township Bank Co., Ltd. (“清遠清新惠民村鎮銀行股份有限公司”, “Qingyuan Qingxin Huimin Village and Township Bank”)

During the year ended 31 December 2022, Qingyuan Qingxin Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB1 per share to the Bank and the Group’s ownership was increased from 53.53% to 58.42%. This resulted in an increase in non-controlling interests of approximately RMB3,053,000 and a decrease in equity attributable to owners of the Bank of approximately RMB3,053,000.

A schedule of the effect of acquisition of additional interest in a subsidiary is as follows:

	RMB'000
Carrying amount of the interest acquired and loss recognised in capital reserve within equity	(3,053)

(iv) Acquisition of additional interest in Jilin Jiuyin Financial Leasing Co., Ltd. (“吉林九銀金融租賃股份有限公司”, “Jilin Jiuyin Financial Leasing”)

During the year ended 31 December 2022, the Group acquired additional 29.71% equity interest in Jilin Jiuyin Financial Leasing at a consideration of RMB468,000,000. This resulted in a decrease in non-controlling interests of approximately RMB184,607,000 and a decrease in equity attributable to owners of the Bank of approximately RMB283,393,000.

A schedule of the effect of acquisition of additional interest in a subsidiary is as follows:

	RMB'000
Carrying amount of the interest acquired	184,607
Consideration paid for acquisition of additional interest in Jilin Jiuyin Financial Leasing Co., Ltd	(468,000)
Loss recognised in capital reserve within equity	(283,393)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

55. ACQUISITION OF A SUBSIDIARY

Acquisition of Jiutai Longjia Village Bank Co., Ltd. (“九台龍嘉村鎮銀行股份有限公司”, “Jiutai Longjia Village Bank”)

On 4 January 2022, the Group acquired 15% of the issued share capital of Jiutai Longjia Village Bank for consideration of RMB16,433,000 from an independent third party. This acquisition has been accounted for using the acquisition method. Jiutai Longjia Village Bank is engaged in the provision of banking services. Jiutai Longjia Village Bank was acquired so as to continue the expansion of the Group’s banking business.

The Group had signed contracts with four shareholders of Jiutai Longjia Village Bank in 2022, which hold total 40% equity interest in Jiutai Longjia Village Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jiutai Longjia Village Bank and therefore, Jiutai Longjia Village Bank is regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	16,433

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

55. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition of Jiutai Longjia Village Bank Co., Ltd. (“九台龍嘉村鎮銀行股份有限公司”, “Jiutai Longjia Village Bank”) (Continued)

Assets and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	45,284
Deposits with banks and other financial institutions	170,171
Loans and advances to customers	284,134
Property and equipment	14,845
Right-of-use assets	4,388
Deferred tax assets	6,949
Other assets	232
Borrowing from the central bank	(555)
Deposits from customers	(411,649)
Accrued staff costs	(200)
Taxes payable	(105)
Lease liabilities	(3,202)
Other liabilities	(541)
Net assets acquired	109,751

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB284,134,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB314,206,000 at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	16,433
Plus: non-controlling interest (85% in Jiutai Longjia Village Bank)	93,318
Less: net assets acquired	(109,751)
Goodwill arising on acquisition	–

The non-controlling interests (85%) in Jiutai Longjia Village Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

55. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition of Jiutai Longjia Village Bank Co., Ltd. (“九台龍嘉村鎮銀行股份有限公司”, “Jiutai Longjia Village Bank”) (Continued)

Net cash inflow on acquisition of Jiutai Longjia Village Bank

	RMB'000
Consideration transferred	16,433
Less: cash and cash equivalent balances acquired	(71,189)
	<hr/>
	54,756

Included in the profit for the year ended 31 December 2022 was approximately RMB5,540,000 attributable to the loss incurred by Jiutai Longjia Village Bank. Operating income for the year ended 31 December 2022 included approximately RMB19,968,000 generated from Jiutai Longjia Village Bank.

Had the acquisition been completed on 1 January 2022, the impacts on operating income and profit for the year of the Group are insignificant. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Jiutai Longjia Village Bank been acquired at the beginning of the year ended 31 December 2022, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

56. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

Deemed disposal of interest in Liaoyuan Rural Commercial Bank

On 31 August 2022, five shareholders who hold 17.09% ownership and voting power of Liaoyuan Rural Commercial Bank, terminated the act in concert contracts with the Group. Hence, the Group lost control over this bank as the Group did not obtain more than half of the voting power in the shareholder meetings of Liaoyuan Rural Commercial Bank.

After termination of the act in concert contracts, the Group holds 35.13% equity interest in and has significant influence in Liaoyuan Rural Commercial Bank. As a result, it is classified as an associate of the Group (Note 25). The Group remeasures its retained interest in the associate at fair value at the date it lost control.

Assets disposed and liabilities derecognised at the date of deemed disposal are as follows:

	RMB'000
Cash and deposits with the central bank	600,485
Deposits with banks and other financial institutions	347,262
Placements with banks and other financial institutions	704,402
Financial assets at fair value through profit or loss	49,196
Financial assets held under resale agreements	1,985,266
Loans and advances to customers	7,063,017
Financial assets at fair value through other comprehensive income	10,200
Financial assets measured at amortised costs	555,268
Property and equipment	322,952
Right-of-use assets	17,237
Deferred tax assets	102,608
Taxes recoverable	7,511
Other assets	232,823
Borrowing from the central bank	(34,844)
Deposits from banks and other financial institutions	(15,104)
Deposits from customers	(11,314,480)
Accrued staff costs	(740)
Lease liabilities	(17,660)
Other liabilities	(66,596)
Net assets disposed of	548,803

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

56. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY (Continued)

Deemed disposal of interest in Liaoyuan Rural Commercial Bank (Continued)

Loss on deemed disposal of a subsidiary:	RMB'000
Fair value of retained interest recognised as interest in associate	321,268
Net assets disposed of	(548,803)
Goodwill	(386,202)
Release of reserve upon deemed disposal of a subsidiary	44,942
Non-controlling interests	360,234
Loss on deemed disposal of a subsidiary	(208,561)

Net cash outflow arising on disposal	RMB'000
Cash and cash equivalent balances disposed of	(2,745,700)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

57. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Incorporated date	Place of incorporation/operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					2023	2022	2023	2022	2023	2022	
					*Qingdao Jimo Huimin Village and Township Bank Co., Ltd. ("青島即墨惠民村鎮銀行股份有限公司")	14/10/2008	PRC	Ordinary	Joint stock company with limited liability	200,000	
*Shuangcheng Huimin Village and Township Bank Co., Ltd. ("雙城惠民村鎮銀行有限公司")	25/1/2010	PRC	Ordinary	Company with limited liability	62,964	58,300	62.26%	62.26%	62.26%	62.26%	Corporate and retail bank
*Jiutai Longjia Village Bank Co., Ltd. ("九台龍嘉村鎮銀行股份有限公司") (Note (1))	12/10/2010	PRC	Ordinary	Joint stock company with limited liability	102,000	102,000	15.00%	15.00%	55.00%	55.00%	Corporate and retail bank
*Hanshan Huimin Village and Township Bank Co., Ltd. ("含山惠民村鎮銀行有限公司")	30/12/2010	PRC	Ordinary	Company with limited liability	50,950	50,950	78.51%	78.51%	78.51%	78.51%	Corporate and retail bank
*Wuchang Huimin Village Bank Co., Ltd. ("五常惠民村鎮銀行有限公司")	11/11/2010	PRC	Ordinary	Company with limited liability	39,000	39,000	66.67%	66.67%	66.67%	66.67%	Corporate and retail bank
*Qingdao Pingdu Huimin Village Bank Co., Ltd. ("青島平度惠民村鎮銀行股份有限公司")	23/12/2010	PRC	Ordinary	Joint stock company with limited liability	124,449	124,449	58.82%	58.82%	58.82%	58.82%	Corporate and retail bank
*Qianan Huimin Village Bank Co., Ltd. ("乾安惠民村鎮銀行有限公司") (Note (2))	28/12/2010	PRC	Ordinary	Company with limited liability	46,745	46,745	45.25%	45.25%	51.65%	51.65%	Corporate and retail bank
*Lujiang Huimin Town Bank Co., Ltd. ("蘆江惠民村鎮銀行有限公司")	28/12/2010	PRC	Ordinary	Company with limited liability	66,550	66,550	60.00%	60.00%	60.00%	60.00%	Corporate and retail bank
*Changchun Nangan Hui Min Village Bank Co., Ltd. ("長春南關惠民村鎮銀行有限公司")	11/1/2011	PRC	Ordinary	Company with limited liability	144,619	144,619	51.20%	51.20%	51.20%	51.20%	Corporate and retail bank
*Songyuan Ningjiang Huimin Village Bank Company Limited ("松原寧江惠民村鎮銀行股份有限公司") (Note (3))	19/1/2011	PRC	Ordinary	Joint stock company with limited liability	125,866	125,866	40.80%	40.80%	50.87%	50.93%	Corporate and retail bank
*Da'an Huimin Village Bank Co., Ltd. ("大安惠民村鎮銀行有限公司")	26/1/2011	PRC	Ordinary	Company with limited liability	46,888	46,888	51.46%	51.46%	51.46%	51.46%	Corporate and retail bank
*Lingshui Huimin Village and Township Bank Co., Ltd. ("陵水惠民村鎮銀行股份有限公司") (Note (4))	16/5/2011	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	20.00%	20.00%	52.60%	52.60%	Corporate and retail bank

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2023 and 2022 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/operation	Class of shares held	Kind of legal entity	Registered and fully paid capital		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity		
					(RMB'000)		2023	2022	2023	2022		2023	2022
					2023	2022	2023	2022	2023	2022			
*Sanya Huimin Village and Township Bank Co., Ltd. ("三亞惠民村鎮銀行股份有限公司") (Note (5))	16/5/2011	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	20.00%	20.00%	60.50%	60.50%	Corporate and retail bank		
* Gaomi Huimin Village and Township Bank Co., Ltd. ("高密惠民村鎮銀行有限責任公司")	25/5/2011	PRC	Ordinary	Company with limited liability	113,413	113,413	56.70%	56.70%	56.70%	56.70%	Corporate and retail bank		
* Huimin Village Bank Company Limited of Anci, Langfang ("廊坊市安次區惠民村鎮銀行股份有限公司")	6/12/2011	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank		
* Jingmen Dongbao Huimin Village Bank Co., Ltd. ("荊門東寶惠民村鎮銀行股份有限公司") (Note (6))	21/12/2011	PRC	Ordinary	Joint stock company with limited liability	89,930	89,930	31.19%	31.19%	53.44%	53.44%	Corporate and retail bank		
* Huimin Bank of Wenan Co., Ltd. ("文安縣惠民村鎮銀行股份有限公司") (Note (7))	23/12/2011	PRC	Ordinary	Joint stock company with limited liability	52,102	47,800	32.01%	32.01%	52.09%	52.09%	Corporate and retail bank		
* Tongcheng Huimin Village Bank Co., Ltd. ("通城惠民村鎮銀行有限責任公司")	19/9/2012	PRC	Ordinary	Company with limited liability	39,600	39,600	75.76%	75.76%	75.76%	75.76%	Corporate and retail bank		
* Changchun Gaoxin Huimin Village Bank Co., Ltd. ("長春高新惠民村鎮銀行有限責任公司") (Note (8))	24/9/2013	PRC	Ordinary	Company with limited liability	125,000	125,000	40.00%	40.00%	60.00%	60.00%	Corporate and retail bank		
* Huadian Huimin Village Bank Co., Ltd. ("樺甸惠民村鎮銀行股份有限公司")	29/10/2013	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank		
* Jilin Fengman Huimin Village Bank Co., Ltd. ("吉林豐滿惠民村鎮銀行股份有限公司") (Note (9))	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	46.00%	46.00%	50.50%	50.50%	Corporate and retail bank		

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2023 and 2022 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					2023	2022	2023	2022	2023	2022	
* Heyang Huimin Village Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司") (Note (10))	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	71,000	71,000	42.68%	42.68%	56.70%	56.70%	Corporate and retail bank
* Anping Huimin Village Bank Co., Ltd. ("安平惠民村鎮銀行股份有限公司") (Note (11))	24/12/2013	PRC	Ordinary	Joint stock company with limited liability	51,686	51,686	28.17%	28.17%	52.80%	52.80%	Corporate and retail bank
* Wuhua Huimin Village and Township Bank ("五華惠民村鎮銀行股份有限公司") (Note (12))	13/1/2014	PRC	Ordinary	Joint stock company with limited liability	65,000	65,000	39.23%	39.23%	56.75%	56.75%	Corporate and retail bank
* Qingyuan Qingxin Huimin Village and Township Bank Co., Ltd. ("清遠清新惠民村鎮銀行股份有限公司")	23/1/2014	PRC	Ordinary	Joint stock company with limited liability	95,000	95,000	58.42%	58.42%	58.42%	58.42%	Corporate and retail bank
* Yun'an Huimin Village Bank Co., Ltd. ("雲安惠民村鎮銀行股份有限公司")	27/1/2014	PRC	Ordinary	Joint stock company with limited liability	80,000	80,000	61.00%	61.00%	61.00%	61.00%	Corporate and retail bank
* Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. ("廣州黃埔惠民村鎮銀行股份有限公司")	7/2/2014	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
* Tianjin Binhai Huimin Village Bank Co., Ltd. ("天津濱海惠民村鎮銀行股份有限公司") (Note (13))	11/6/2014	PRC	Ordinary	Joint stock company with limited liability	300,000	300,000	47.00%	47.00%	53.23%	53.99%	Corporate and retail bank
* Huidong Huimin Village Bank Co., Ltd. ("惠東惠民村鎮銀行股份有限公司") (Note (14))	21/11/2014	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	35.00%	35.00%	65.00%	65.00%	Corporate and retail bank
* Leizhou Huimin Village Bank Co., Ltd. ("雷州惠民村鎮銀行股份有限公司") (Note (15))	25/3/2015	PRC	Ordinary	Joint stock company with limited liability	75,550	75,550	17.87%	17.87%	51.68%	51.68%	Corporate and retail bank

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2023 and 2022 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					2023	2022	2023	2022	2023	2022	
					* Baicheng Taobei Huimin Village Bank Co., Ltd. ("白城洮北惠民村鎮銀行股份有限公司") (Note (16))	23/11/2015	PRC	Ordinary	Joint stock company with limited liability	50,000	
* Taonan Huimin Village Bank Co., Ltd. ("洮南惠民村鎮銀行股份有限公司") (Note (17))	11/12/2015	PRC	Ordinary	Joint stock company with limited liability	60,000	60,000	40.83%	40.83%	60.82%	60.82%	Corporate and retail bank
* Fuyu Huimin Village Bank Co., Ltd. ("扶余惠民村鎮銀行股份有限公司") (Note (18))	14/12/2015	PRC	Ordinary	Joint stock company with limited liability	57,170	57,170	42.85%	42.85%	56.26%	56.26%	Corporate and retail bank
* Jilin Chuanying Huimin Village Bank Co., Ltd. ("吉林船營惠民村鎮銀行股份有限公司") (Note (19))	21/1/2016	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	46.00%	46.00%	51.00%	51.00%	Corporate and retail bank
* Jilin Jiuyin Financial Leasing Co., Ltd. ("吉林九銀金融租賃股份有限公司")	20/2/2017	PRC	Ordinary	Joint stock company with limited liability	525,000	525,000	60.00%	60.00%	60.00%	60.00%	Provision of finance lease service

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

57. PARTICULARS OF SUBSIDIARIES (Continued)

No subsidiary has non-controlling interest material to the Group.

All subsidiaries are directly held by the Bank.

None of the subsidiaries has issued any debt securities at the end of both reporting periods.

Notes:

(1) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 4 shareholders who hold in total 40.00% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

(2) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 2 shareholders who hold in total 6.40% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

(3) During the year ended 31 December 2023, the Bank signed contracts with 4 shareholders who hold in total 10.07% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

During the year ended 31 December 2022, the Bank signed contracts with 4 shareholders who hold in total 10.13% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

(4) During the year ended 31 December 2023, the Bank signed contracts with 7 shareholders who hold in total 32.60% of ownership and voting power of this bank. These 7 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

During the year ended 31 December 2022, the Bank signed contracts with 6 shareholders who hold in total 32.60% of ownership and voting power of this bank. These 6 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

(5) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 14 shareholders who hold in total 40.50% of ownership and voting power of this bank. These 14 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

(6) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 5 shareholders who hold in total 22.25% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

(7) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 6 shareholders who holds in total 20.08% of ownership and voting power of this bank. These 6 shareholders votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

57. PARTICULARS OF SUBSIDIARIES (Continued)

Notes: (Continued)

- (8) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 3 shareholders who hold in total 20.00% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (9) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 1 shareholder who holds 4.50% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (10) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 2 shareholders who hold 14.02% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (11) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 4 shareholders who hold in total 24.63% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (12) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 2 shareholders who hold in total 17.52% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (13) During the year ended 31 December 2023, the Bank signed contracts with 5 shareholders who hold in total 6.23% of ownership and voting power of this bank. These 5 shareholder vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

During the year ended 31 December 2022, the Bank signed contracts with 5 shareholders who hold in total 6.99% of ownership and voting power of this bank. These 5 shareholder vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

- (14) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 3 shareholders who hold in total 30.00% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (15) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 7 shareholders who hold in total 33.82% of ownership and voting power of this bank. These 7 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (16) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 4 shareholders who hold in total 14.00% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (17) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 3 shareholders who hold in total 19.99% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (18) During the years ended 31 December 2023 and 2022, the Bank signed contracts with 5 shareholders who hold in total 13.41% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.
- (19) During the years ended 31 December 2023 and 2022, the Bank signed contracts with a shareholder who holds 5.00% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank is deemed to be controlled by the Bank and is a subsidiary of the Bank.

* The English translation is for identification only.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

58. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Non-cash change							31 December 2023 RMB'000
	1 January 2023 RMB'000	Financing cash flows RMB'000	New lease entered RMB'000	Early termination of lease RMB'000	Finance cost incurred RMB'000	Others RMB'000		
Liabilities								
- Debt securities issued (Note 38)	5,351,209	(2,160,255)	-	-	183,777	479		3,375,210
- Dividend payable (Note 39)	478	(344)	-	-	-	-		134
- Lease liabilities (Note 27)	429,046	(184,803)	111,900	(2,759)	18,413	-		371,797
	5,780,733	(2,345,402)	111,900	(2,759)	202,190	479		3,747,141

	Non-cash change								31 December 2022 RMB'000
	1 January 2022 RMB'000	Financing cash flows RMB'000	New lease entered RMB'000	Early termination of lease RMB'000	Lease modification RMB'000	Finance cost incurred RMB'000	Acquisition of a subsidiary RMB'000	Deemed disposal of a subsidiary RMB'000	
Liabilities									
- Debt securities issued (Note 38)	6,290,398	(1,216,787)	-	-	-	277,598	-	-	5,351,209
- Dividend payable (Note 39)	484	(6)	-	-	-	-	-	-	478
- Lease liabilities (Note 27)	518,779	(189,953)	114,800	(19,687)	(1,775)	21,340	3,202	(17,660)	429,046
	6,809,661	(1,406,746)	114,800	(19,687)	(1,775)	298,938	3,202	(17,660)	5,780,733

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

59. STATEMENT OF FINANCIAL POSITION OF THE BANK

	Note	2023 RMB'000	2022 RMB'000
Assets			
Cash and deposits with the central bank		18,059,187	26,217,137
Deposits with banks and other financial institutions		3,075,568	3,613,449
Placements with banks and other financial institutions		350,136	370,191
Financial assets held under resale agreements		7,443,042	9,389,744
Financial assets at fair value through profit or loss		667,376	1,909,099
Loans and advances to customers		137,587,215	131,616,964
Financial assets at fair value through other comprehensive income		11,532,797	2,537,586
Financial assets measured at amortised cost		20,677,933	23,193,167
Interests in associates		1,030,843	1,030,843
Investments in subsidiaries		1,783,259	1,783,259
Property and equipment		1,557,564	1,694,441
Right-of-use assets		259,305	298,216
Deferred tax assets		1,129,988	785,665
Other assets		762,433	661,065
Total assets		205,916,646	205,100,826

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

59. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

	Note	2023 RMB'000	2022 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank		460,564	2,781,550
Deposits from banks and other financial institutions		1,502,496	2,910,300
Placements from banks and other financial institutions		–	2,002,496
Deposits from customers		184,729,249	176,395,858
Accrued staff costs		51,377	46,921
Tax payable		44,601	27,394
Debt securities issued		3,375,210	5,351,209
Lease liabilities		220,772	255,266
Other liabilities		424,308	387,395
Total liabilities		190,808,577	190,158,389
Equity			
Share capital	(a)	5,074,192	5,074,192
Capital reserve	(a)	3,958,033	3,958,033
Investment revaluation reserve	(a)	85,571	55,084
Surplus reserve	(a)	1,237,348	1,223,755
General reserve	(a)	2,401,627	2,299,753
Retained earnings	(a)	2,351,298	2,331,620
Total equity		15,108,069	14,942,437
Total liabilities and equity		205,916,646	205,100,826

Approved and authorised for issue by the board of directors of the Bank on 27 March 2024 and are signed on its behalf by:

Mr. GUO Ce

Director

Mr. YUAN Chunyu

Director

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

59. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

Note:

(a) *Movements in reserves*

	Share capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As 1 January 2023	5,074,192	3,958,033	55,084	1,223,755	2,299,753	2,331,620	14,942,437
Profit for the year	-	-	-	-	-	135,145	135,145
Other comprehensive income for the year	-	-	30,487	-	-	-	30,487
Total comprehensive income (expense) for the year	-	-	30,487	-	-	135,145	165,632
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	13,593	-	(13,593)	-
- Appropriation to general reserve	-	-	-	-	101,874	(101,874)	-
At 31 December 2023	5,074,192	3,958,033	85,571	1,237,348	2,401,627	2,351,298	15,108,069

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2023

59. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

Note:

(a) *Movements in reserves (Continued)*

	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As 1 January 2022	4,612,901	4,419,324	87,042	1,058,252	2,008,496	1,204,028	13,390,043
Profit for the year	-	-	-	-	-	1,584,352	1,584,352
Other comprehensive loss for the year	-	-	(31,958)	-	-	-	(31,958)
Total comprehensive income (loss) for the year	-	-	(31,958)	-	-	1,584,352	1,552,394
Changes in share capital							
- Capitalisation of capital reserve (Note 40)	461,291	(461,291)	-	-	-	-	-
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	165,503	-	(165,503)	-
- Appropriation to general reserve	-	-	-	-	291,257	(291,257)	-
At 31 December 2022	5,074,192	3,958,033	55,084	1,223,755	2,299,753	2,331,620	14,942,437

60. NON-CASH TRANSACTION

During the year ended 31 December 2023, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB111,900,000 were recognised at the commencement of the leases.

During the year ended 31 December 2022, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB114,800,000 were recognised at the commencement of the leases.

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1. Leverage Ratio (%)

	At 31 December	
	2023	2022
Leverage Ratio (RMB and foreign currency)	6.65%	6.61%

Pursuant to the Administrative Measures for the Capital of Commercial Banks promulgated by the National Financial Regulatory Administration and effective since 1 January 2024, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the National Financial Regulatory Administration and based on the financial information prepared in accordance with PRC GAAP.

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At 31 December 2023		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	17,122	1,287	18,409
Spot liabilities	5,662	66	5,728
Net position	11,460	1,221	12,681

	At 31 December 2022		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	34,745	3,437	38,182
Spot liabilities	17,242	65	17,307
Net position	17,503	3,372	20,875

The above information is computed in accordance with the provisions of the National Financial Regulatory Administration. The Group has no structural position as at 31 December 2023 and 2022.

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 31 December	
	2023	2022
Deposit with banks Asia Pacific excluding mainland China	901	8,871

4. Loans and advances overdue for more than 90 days by geographical segments

	At 31 December	
	2023	2022
Jilin Region	5,148,654	2,982,452
Mainland China excluding Jilin Region	662,099	562,339
Total	5,810,753	3,544,791

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Gross amount of loans and advances overdue for more than 90 days

	At 31 December	
	2023	2022
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Between three months and six months (inclusive)	960,374	196,106
– Between six months and one year (inclusive)	2,206,585	500,342
– Between one year and three years	1,258,382	1,847,451
– Over three years	1,385,412	1,000,892
Total	5,810,753	3,544,791
As a percentage of total gross loans and advances		
– Between three months and six months (inclusive)	0.54%	0.11%
– Between six months and one year (inclusive)	1.24%	0.30%
– Between one year and three years	0.71%	1.07%
– Over three years	0.78%	0.58%
Total	3.27%	2.06%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At 31 December 2023 and 2022, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



吉林九台農村商業銀行股份有限公司
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED