宜宾市商业银行
Yibin City Commercial Bank

宜賓市商業銀行股份有限公司
YIBIN CITY COMMERCIAL BANK CO., LTD

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

Stock Code: 2596

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators and Joint Bookrunners

建银国际 CCB International　　ICBC 工银国际

Joint Global Coordinators and Joint Bookrunners

中銀國際 BOCI　　CITIC SECURITIES　　ZTSC 中泰國際

(in alphabetical order)

Joint Bookrunners

民銀資本 CMBC CAPITAL HOLDINGS LIMITED　　邁時資本 MAXA CAPITAL　　申萬宏源香港 SHENWAN HONGYUAN

(in alphabetical order)

If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.

宜宾市商业银行
Yibin City Commercial Bank

YIBIN CITY COMMERCIAL BANK CO., LTD*

宜賓市商業銀行股份有限公司*

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

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	**:**	**688,400,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**68,840,000 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**619,560,000 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$2.72 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2596**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators and Joint Bookrunners

建银国际 CCB International　　ICBC 工银国际

Joint Global Coordinators and Joint Bookrunners

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民銀資本 CMBC CAPITAL HOLDINGS LIMITED　　邁時資本 MAXA CAPITAL　　申萬宏源香港 SHENWAN HONGYUAN

(in alphabetical order)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. A copy of this Prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Bank on or before Thursday, January 9, 2025 or such later time as may be agreed between the parties, but in any event, no later than Thursday, January 9, 2025. If, for any reason, the Overall Coordinators (for themselves and on behalf of the Underwriters), and our Bank are unable to reach an agreement on the Offer Price by 12:00 noon on Thursday, January 9, 2025, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$2.72 per Offer Share and is expected to be not less than HK$2.59 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum offer price of HK$2.72 for each Offer Share together with a brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price is lower than HK$2.72. The Overall Coordinators (for themselves and on behalf of the Underwriters), may, with the consent of our Bank, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Public Offering. In such a case, notices of such reduction will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Bank at **www.ybccb.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

We are incorporated, and most of our businesses are operated, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in the PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors," "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of the Articles of Association."

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this Prospectus, in particular, the risk factors set out in the section headed "Risk Factors."

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus to the public in relation to the Hong Kong Public Offering. This Prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.ybccb.com**. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

* *We are 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 and/or deposit-taking business in Hong Kong.*

December 30, 2024

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this Prospectus for use by the public.

This Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.ybccb.com. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this Prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above.

For further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table below.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
1,000	2,747.42	20,000	54,948.62	100,000	274,743.12	3,000,000	8,242,293.60
2,000	5,494.87	25,000	68,685.78	200,000	549,486.25	4,000,000	10,989,724.80
3,000	8,242.29	30,000	82,422.93	300,000	824,229.35	5,000,000	13,737,156.00
4,000	10,989.72	35,000	96,160.09	400,000	1,098,972.48	6,000,000	16,484,587.20
5,000	13,737.16	40,000	109,897.25	500,000	1,373,715.60	7,000,000	19,232,018.40
6,000	16,484.58	45,000	123,634.40	600,000	1,648,458.72	8,000,000	21,979,449.60
7,000	19,232.02	50,000	137,371.55	700,000	1,923,201.85	9,000,000	24,726,880.80
8,000	21,979.45	60,000	164,845.87	800,000	2,197,944.95	10,000,000	27,474,312.00
9,000	24,726.88	70,000	192,320.19	900,000	2,472,688.08	20,000,000	54,948,624.00
10,000	27,474.31	80,000	219,794.50	1,000,000	2,747,431.20	34,420,000(1)	94,566,581.90
15,000	41,211.47	90,000	247,268.81	2,000,000	5,494,862.40		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Bank's website at **www.ybccb.com** and the website of the Stock Exchange at **www.hkexnews.hk**.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Monday, December 30, 2024

Latest time for completing electronic applications under the designated website at **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Wednesday, January 8, 2025

Application lists of the Hong Kong Public Offering open[3] . . . . . 11:45 a.m. on Wednesday, January 8, 2025

Latest time for (a) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Wednesday, January 8, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3] . . . . 12:00 noon on Wednesday, January 8, 2025

Expected Price Determination Date[5] . . . . Thursday, January 9, 2025

(1) Announcement of

- Offer Price;
- an indication of the level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and

- the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering;

to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Bank at **www.ybccb.com**[6] no later than[10] . . . . 11:00 p.m. on Friday, January 10, 2025

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – B. Publication of Results"[10] including:

in the website of the Stock Exchange at **www.hkexnews.hk** and our Bank's website at **www.ybccb.com**[6] no later than[10] . . . . 11:00 p.m. on Friday, January 10, 2025

in the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from[10] . . . . .11:00 p.m. on Friday, January 10, 2025 to 12:00 midnight on Thursday, January 16, 2025

from the allocation results telephone enquiry line by calling +852 2862 8555 between[10] 9:00 a.m. and 6:00 p.m. . . . . .Monday, January 13, 2025 to Thursday, January 16, 2025

Despatch of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][10] . . . . .Friday, January 10, 2025

Despatch/Collection of refund checks and **White Form** e-Refund payment instructions in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8][9][10] . . . . Monday, January 13, 2025

Dealings in H Shares on the Stock Exchange expected to commence at[10] . . . . 9:00 a.m. on Monday, January 13, 2025

The application for the Hong Kong Offer Shares will commence on Monday, December 30, 2024 through Wednesday, January 8, 2025, being longer than the normal market practice of 3.5 days. Investors should be aware that the dealings in our H Shares on the Stock Exchange are expected to commence on Monday, January 13, 2025.

Notes:

(1) All times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are Bad Weather Signal(s) (as defined in section headed "How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements" in this prospectus) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 8, 2025, the application lists will not open and will close on that day. Further information is set out in "How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements".

(4) Applicants who apply for Hong Kong Offer Shares by instructing your broker or custodian to give electronic application instructions to HKSCC via HKSCC's FINI system should refer to "How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 2. Application Channels".

(5) The Price Determination Date is expected to be on or before Thursday, January 9, 2025, and in any event, not later than 12:00 noon on Thursday, January 9, 2025. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us by 12:00 noon on Thursday, January 9, 2025, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this Prospectus.

(7) H Share certificates are expected to be issued on Friday, January 10, 2025 but will only become valid evidence of title at around 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting – Hong Kong Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade H Shares before the receipt of H Share certificates or before they become valid do so entirely of their own risk.

(8) **White Form** e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application. Part of the applicant's identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on

the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document number before encashment of the refund check. Inaccurate completion of an applicant's identification document number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares – D. Dispatch/Collection of H Share certificates and Refund of Application Monies" for details.

For applicants who apply through the **White Form eIPO** service and paid the application monies from a single bank account, **White Form** e-Refund payment instructions (if any) will be despatched to their application payment bank account on Monday, January 13, 2025. For applicants who apply through the **White Form eIPO** service and used multi-bank accounts to pay the application monies, refund check in favour of the applicant (or, in the case of joint applications, the first-named applicant) (if any) will be despatched to the address specified in their electronic application instruction to the **White Form eIPO** Service Provider on or before Monday, January 13, 2025 at their own risk.

Any uncollected H Share certificates and/or refund checks will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – D. Dispatch/Collection of H Share Certificates and Refund of Application Monies".

(10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in Hong Kong between Monday, December 30, 2024 to Monday, January 13, 2025, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch/collection of H Share certificates/**White Form** e-Refund payment instructions/refund checks; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting," "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and/or Extreme Conditions and the despatch of refund checks and H Share certificates.

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by the Bank solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus to make your investment decision. Our Bank has not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not included in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Capital Market Intermediaries, or any of the Underwriters, any of our or their respective directors, officers, representatives or advisors or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this Prospectus. You should read the whole Prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

Incorporated in 2006, we are a city commercial bank in Yibin, Sichuan Province of China. As of December 31, 2023, we were the largest bank in Yibin in terms of total assets, according to the NAFR Yibin Office, as well as the largest city commercial bank in Yibin and the second largest city commercial bank in Sichuan Province in terms of registered capital as of the same date, according to the NAFR Sichuan Office. Since our inception, we have been closely integrated with the vibrant local economy of Yibin and Sichuan Province, providing tailored financial services to meet the specific needs of local businesses and residents.

Our primary operations and service networks are based in Yibin, situated within the Sichuan Province of southwestern China. Yibin is the first and only National Industry Education Integration Pilot City in southwestern China as of the Latest Practicable Date. In 2023, Yibin witnessed the establishment of a total of 113 majors related to key industries in local universities, as well as the approval for three new provincial-level modern industry education colleges. By leveraging regional resource advantages, we have fostered alliances with the local economy and developed financial products and services. Our corporate banking business is strategically aligned with economic development in Yibin, supported by dedicated industry research groups and specialized sub-branches that serve enterprises of all sizes operating in regionally competitive sectors. Our retail banking business capitalizes on the rapidly expanding population and domestic market in Yibin. Through the implementation of a "comprehensive retail banking" concept, we have created an interconnected retail ecosystem that bridges retail, corporate, and financial market businesses, leveraging data on customer needs and preferences gathered from different services to deliver personalized financial products and services to local residents and individual business owners. By fostering development across different lines of business, we continually strive to create a comprehensive and seamless banking experience for our customers. As of June 30, 2024, our total customer deposits (excluding accrued interest) and gross loans and advances to customers reached RMB78,506.6 million and RMB54,820.3 million, respectively.

Our service network is intertwined with the dynamic economic mechanisms of Sichuan Province and the Chengdu—Chongqing Dual-city Economic Circle. With a focus on enhancing our digital systems and advancing our financial technology capabilities, we are able to offer distinct digitalized services through various channels, including through our "1+N" supply chain financial service model. See "Business – Digitalization – Financial Services – Online Lending." As of the Latest Practicable Date, the branch network of our Bank consisted of 40 facilities (including 39 branches and sub-branches and one head office), covering Yibin and Neijiang. We additionally work to integrate our online electronic banking channels with offline branch networks and facilities to further expand our business channels and broaden our customer base, which enables us to effectively cater to our customers' diverse needs and ensure efficient delivery of our financial products and services to their intended customer groups.

Benefiting from our robust development strategies and regionally distinctive portfolio of financial products and services such as established specialized sub-branches dedicated to serving the Baijiu sector, the green new energy sectors and the technology-oriented enterprises; and providing bank acceptance services to upstream and downstream partners of Wuliangye Group, including its suppliers and the distributors and retailers of its products. Our total assets increased by 17.4% from RMB68,490.4 million as of December 31, 2021 to RMB80,413.3 million as of December 31, 2022, then increased by 16.2% to RMB93,444.0 million as of December 31, 2023, and further increased by 7.2% to RMB100,192.8 million as of June 30, 2024. In addition, our operating income increased by 15.2% from RMB1,620.8 million in 2021 to RMB1,867.0 million in 2022, and further increased by 16.2% to RMB2,169.8 million in 2023. Our operating income remained relatively stable at RMB1,075.9 million and RMB1,078.0 million in the six months ended June 30, 2023 and 2024, respectively. As we strive for business expansion, we remain committed to maintaining prudent risk management and internal controls, prioritizing the preservation of asset quality. Our asset quality continued to improve during the Track Record Period. As of June 30, 2024, our non-performing loan ratio and allowance coverage ratio was 1.72% and 254.97%, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive advantages have positioned us favorably in the banking industry in Yibin and will contribute to our future growth:

- Integration with the thriving local economy in Yibin, Sichuan Province, entailing significant growth potential;
- Differentiated retail banking business underpinned by the "comprehensive retail banking" strategy;
- Solid technological strengths empowering sustainable development;
- Robust shareholder background and corporate governance structure;
- Prudent and effective risk management leading to improved asset quality; and

- Experienced management team and highly skilled workforce.

For details of our competitive strengths, see “Business – Our Competitive Strengths.”

OUR DEVELOPMENT STRATEGIES

Our vision is to enhance our brand value and become a leading bank with regional influence in western China. We intend to achieve this vision through the following strategic initiatives:

- Consolidating regional advantages and promoting business transformation;

- Innovating technology-based financial services and advancing digital transformation;

- Optimizing governance structure, enhancing risk management and internal control capabilities; and

- Strengthening talent leadership and improving incentive mechanisms.

For details of our development strategies, see “Business – Our Development Strategies.”

OUR PRINCIPAL BUSINESS LINES

Integrated with the thriving local economy in Yibin, Sichuan Province, we provide customized financial services for local customers based on our understanding of local market dynamics. Our core business lines include corporate banking, retail banking and financial markets tailored to address the distinct financial needs of diverse customer groups.

The following table sets forth a breakdown of our operating income by business line for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)									
							(unaudited)			
Corporate banking	1,255.9	77.6	1,482.1	79.4	1,604.5	74.0	797.2	74.1	759.4	70.4
Retail banking	297.1	18.3	328.2	17.6	458.4	21.1	172.3	16.0	234.5	21.8
Financial markets	67.1	4.1	56.2	3.0	106.1	4.9	106.1	9.9	83.9	7.8
Unallocated[(1)]	0.8	0.0	0.5	0.0	0.8	0.0	0.2	0.0	0.2	0.0
Total	1,620.8	100.0	1,867.0	100.0	2,169.8	100.0	1,075.9	100.0	1,078.0	100.0

Note:

(1) Represents operating income that are not directly attributable to any specific business line, including rental income and other miscellaneous income.

For details of our principal business lines, see "Business – Our Principal Business Lines."

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical financial information set forth below in conjunction with our historical financial information included in the Accountant's Report set forth in Appendix I, which were prepared in accordance with IFRS, and the sections headed "Assets and Liabilities" and "Financial Information." The consolidated statements of comprehensive income for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, as well as the consolidated statements of financial position as of December 31, 2021, 2022 and 2023 and June 30, 2024 set out below have been derived from Accountant's Report set forth in Appendix I.

Selected Data from Consolidated Statements of Comprehensive Income

The following table sets forth our results of operations for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in millions)				
				(unaudited)	
Interest income	2,545.7	3,201.6	3,563.4	1,716.0	1,858.7
Interest expense	(1,163.5)	(1,449.3)	(1,777.8)	(853.3)	(1,030.9)
Net interest income	1,382.2	1,752.3	1,785.6	862.7	827.8
Fee and commission income	53.2	65.8	75.3	31.3	53.7
Fee and commission expense	(20.5)	(26.5)	(31.4)	(15.2)	(16.8)
Net fee and commission income	32.7	39.4	43.9	16.1	36.9
Net gains/(losses) on trading activities	171.2	(35.0)	291.8	183.2	130.0
Net gains on financial investments	11.0	86.5	10.6	0.6	69.8
Other operating income	23.7	23.8	37.9	13.4	13.4
Operating income	1,620.8	1,867.0	2,169.8	1,075.9	1,078.0
Operating expenses	(606.8)	(655.4)	(698.2)	(329.2)	(349.7)
Expected credit losses	(644.7)	(728.3)	(928.6)	(455.5)	(381.3)
Impairment losses	(0.5)	(5.8)	(0.4)	–	–
Profit before income tax	369.0	477.5	542.6	291.2	347.0
Income tax expense	(40.7)	(45.0)	(65.2)	(36.7)	(85.2)
Net profit	328.3	432.5	477.4	254.5	261.8
Net profit attribute to:					
Shareholders of the Bank	352.5	437.7	468.5	240.8	284.2
Non-controlling interests	(24.2)	(5.2)	8.9	13.7	(22.4)
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	0.12	0.11	0.12	0.06	0.07

We recorded net profit of RMB328.3 million, RMB432.5 million, RMB477.4 million, RMB254.5 million and RMB261.8 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

Our net profit increased by 31.7% from RMB328.3 million in 2021 to RMB432.5 million in 2022, primarily attributable to (i) an increase in our net interest income of RMB370.1 million, mainly due to an increase in loans and advances to customers as a result of our strengthened efforts to broaden our customer base and expand lending activities, and (ii) an increase in our net gains on financial investments of RMB75.5 million, mainly attributable to the optimization of our asset structure and enhanced asset quality; this increase was partially offset by (iii) a change from net gains on trading activities of RMB171.2 million in 2021 to net losses on trading activities of RMB35.0 million in 2022, mainly attributable to a decrease in valuation of the underlying assets of our asset management plans affected by market fluctuations, and a reduction in gains from debt securities mainly due to a decrease in fair value of debt securities held by us. See "Financial Information – Results of Operation for Years Ended December 31, 2021, 2022 and 2023."

Our net profit increased by 10.4% from RMB432.5 million in 2022 to RMB477.4 million in 2023, primarily attributable to (i) an increase in our loans and advances to customers as a result of our strengthened efforts to broaden our customer base and expand lending activities that resulted in an increase in our interest income; and (ii) an increase in the gains from debt securities mainly resulting from an increase in our allocation and an increase in the fair value of debt securities held by us, and an increase in the gains from asset management plans, mainly resulting from an increase in the valuation of asset management plans with underlying assets in debt securities, which collectively resulted in an increase in our net gains on trading activities. Such an increase was partially offset by (i) an increase in our scale of total loans and financial investments that resulted in an increase in the expected credit losses; and (ii) a decrease in our net gains on financial investments as a result of our relatively cautious investment strategy, which was informed by the prevailing market conditions characterized by relatively low interest rates and ample market liquidity. See "Financial Information – Results of Operation for Years Ended December 31, 2021, 2022 and 2023."

Our net profit increased by 2.9% from RMB254.5 million in the six months ended June 30, 2023 to RMB261.8 million in the six months ended June 30, 2024, primarily attributable to (i) an increase in net fee and commission income driven by the increase in commission income from wealth management agency service as a result of the increased return on wealth management assets affected by the market conditions; (ii) an increase in net gains on financial investment primarily due to an increase in net gains arising from financial assets at fair value through other comprehensive income as we sold the bonds we held and recognized gains therefrom in response to the decline in bond market interest rates; and (iii) a decrease in expected credit losses primarily in line with the slowdown in the growth of our loans and advances to customers. Such an increase was partially offset by a decrease in our net interest income primarily attributable to the increase in customer deposits.

Selected Data from Consolidated Statements of Financial Position

The following table sets forth the selected data of our statement of financial position as of the dates indicated.

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Assets								
Gross loans and advances to customers[1]	35,432.7	51.7	43,666.5	54.3	51,391.5	55.0	54,820.3	54.7
Accrued interest	128.2	0.2	293.0	0.4	351.7	0.4	312.7	0.3
ECL allowance	(1,595.1)	(2.3)	(1,648.6)	(2.1)	(2,368.3)	(2.5)	(2,407.2)	(2.4)
Net loans and advances to customers	33,965.8	49.6	42,310.9	52.6	49,374.9	52.9	52,725.7	52.6
Net financial investments	21,754.2	31.8	24,167.3	30.1	29,998.3	32.1	33,781.5	33.7
– Fair value through other comprehensive income	11,759.0	17.2	10,136.0	12.6	15,945.9	17.1	20,395.4	20.4
– Fair value through profit or loss	4,513.5	6.6	6,223.7	7.7	6,268.8	6.7	6,795.2	6.8
– Amortized cost	5,481.6	8.0	7,807.5	9.7	7,783.6	8.3	6,590.9	6.6
Financial assets held under resale agreements, due from other banks and other financial institutions	4,118.1	6.0	6,527.6	8.2	5,600.6	6.0	6,506.4	6.5
Cash and balances with central bank	6,871.1	10.0	5,586.5	6.9	6,577.0	7.0	5,290.1	5.3
Deferred tax assets	928.7	1.4	1,060.7	1.3	1,114.6	1.2	1,122.6	1.1
Property, plant and equipment	379.3	0.6	344.6	0.5	335.2	0.4	324.9	0.3
Right-of-use assets	28.5	0.0	26.4	0.0	32.2	0.0	27.7	0.0
Other assets	444.6	0.6	389.3	0.5	411.2	0.4	413.9	0.4
Total assets	68,490.4	100.0	80,413.3	100.0	93,444.0	100.0	100,192.8	100.0

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Liabilities								
Customer deposits	48,342.7	80.2	59,393.8	82.8	71,439.1	84.9	80,463.2	88.8
Financial assets sold under repurchase agreements, due to other banks and financial institutions	6,239.8	10.3	5,150.1	7.2	6,263.1	7.4	6,687.5	7.4
Borrowings from central bank	999.0	1.7	1,880.1	2.6	2,198.0	2.6	1,964.1	2.2
Debt securities issued	4,182.3	6.9	4,466.8	6.2	3,279.0	3.9	467.5	0.5
Taxes payable	108.7	0.2	253.2	0.4	237.6	0.3	146.7	0.2
Lease liabilities	21.7	0.0	16.3	0.0	26.5	0.0	23.9	0.0
Other liabilities[2]	412.4	0.7	585.0	0.8	714.2	0.9	825.6	0.9
Total liabilities	60,306.6	100.0	71,745.3	100.0	84,157.5	100.0	90,578.5	100.0
Net assets	8,183.7		8,667.9		9,286.5		9,614.3	

Notes:

(1) For purposes of this Prospectus, the gross loans and advances to customers refer to the amount calculated by adding back the ECL allowance and excluding accrued interest to net loans and advances to customers.

(2) Other liabilities consist primarily of other payables, employee benefits payable, settlement and clearance payables and provisions. See Note 32 of Appendix I to this Prospectus.

We had net assets of RMB8,183.7 million, RMB8,667.9 million, RMB9,286.5 million and RMB9,614.3 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our net assets increased by 5.9% from RMB8,183.7 million as of December 31, 2021 to RMB8,667.9 million as of December 31, 2022, primarily attributable to (i) our total comprehensive income of RMB483.0 million in 2022; and (ii) the deemed contribution of RMB50.0 million in 2022 by shareholders, partially offset by the cash dividends of RMB48.8 million distributed to shareholders in 2022. Our net assets increased by 7.1% from RMB8,667.9 million as of December 31, 2022 to RMB9,286.5 million as of December 31, 2023, primarily attributable to (i) our total comprehensive income of RMB627.0 million in 2023; and (ii) the deemed contribution of RMB50.0 million in 2023 by shareholders, partially offset by the cash dividends of RMB58.5 million distributed to shareholders in 2023. Our net assets increased by 3.5% from RMB9,286.5 million as of December 31, 2023 to RMB9,614.3 million as of June 30, 2024, primarily attributable to total comprehensive income of RMB405.7 million in the six months ended June 30, 2024, partially offset by the cash dividends of RMB78.0 million distributed to shareholders in the six months ended June 30, 2024.

Loans and Advances to Customers

Our loans and advances to customers consisted of corporate loans, personal loans, discounted bills and rediscounted bills. The following table sets forth the distribution of our loans and advances to customers by business lines as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Loans and advances to customers at amortized cost								
– Corporate loans	28,037.8	79.2	34,485.5	79.0	39,162.2	76.2	41,905.5	76.4
– Personal loans	5,712.7	16.1	5,012.6	11.5	4,917.1	9.6	4,911.0	9.0
Loans and advances to customers at fair value through other comprehensive income								
– Discounted bills	432.3	1.2	304.0	0.7	482.2	0.9	680.3	1.2
– Rediscounted bills	1,249.9	3.5	3,864.4	8.8	6,830.0	13.3	7,323.5	13.4
Gross loans and advances to customers	35,432.7	100.0	43,666.5	100.0	51,391.5	100.0	54,820.3	100.0

The PBoC's monetary policy adjustments in 2024, including reductions in the LPR, have affected the interest rates of our loans to a certain extent, thereby influencing our interest margins and profitability. For details of recent monetary policies, see "Industry Overview – National and Regional Economy – Impact of Macroeconomic Environment on PRC Banking Industry – Monetary Policies."

During the Track Record Period, corporate loans were the largest component of our loan portfolio, representing 79.2%, 79.0%, 76.2% and 76.4% of our gross loans and advances to customers as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. As of June 30, 2024, the top five industries to which we extended corporate loans were (i) wholesale and retail trade; (ii) construction; (iii) manufacturing; (iv) renting and business activities; and (v) agriculture, forestry, animal husbandry and fishery. The following table sets forth our corporate loans granted to customers in these top five industries in absolute amounts and as percentages of our total corporate loans as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Wholesale and retail trade	6,427.0	22.9	7,358.0	21.3	9,328.7	23.9	10,652.1	25.4
Construction	6,279.4	22.4	7,969.5	23.1	8,564.6	22.0	8,345.4	19.9
Manufacturing	3,766.7	13.4	3,681.9	10.7	4,203.1	10.7	4,441.5	10.6
Renting and business activities[1]	3,081.3	11.0	3,174.4	9.2	3,456.4	8.8	3,573.2	8.5
Agriculture, forestry, animal husbandry and fishery	608.6	2.2	1,810.0	5.2	2,698.4	6.9	3,021.3	7.2

Note:

(1) Renting and business activities primarily refer to investment and asset management, consulting services, comprehensive management services, mechanical equipment operating lease, advertising and human resource services. Renting and business activities are generally not relevant in considering the risks and concerns relating to the real estate industry.

During the Track Record Period, a significant portion of our corporate loans were extended to small and micro enterprises. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our loans to small and micro enterprises accounted for 66.5%, 71.4%, 75.2% and 75.4% of our total corporate loans, respectively. For corporate loans, the LPR adjustments mainly affect the interest rates of newly issued corporate loans. The reduced interest rates on new corporate loans necessitated careful management of our lending strategies to preserve margins while maintaining competitiveness in a lower-rate environment.

During the Track Record Period, our personal loans represented 16.1%, 11.5%, 9.6% and 9.0% of our gross loans and advances to customers as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, of which 50.6%, 42.8%, 43.2% and 41.3% were personal business loans. For personal loans, the LPR adjustments affect both existing floating-rate loans and newly issued loans, resulting in a decrease in the average yield of personal loans during the Track Record Period. See "Risk Factors – Risks Relating to the PRC Banking Industry – Further development of interest rate liberalization, PBoC's adjustments to the benchmark interest rate, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our business, financial condition and results of operations." While we anticipate a short-term decline in the interest rates of personal loans in light of the LPR adjustments, putting pressure on our net interest margin, we anticipate an increase in the overall net interest income from increased customers' personal loan activities in the long run. We also expect a recovery in the real estate market to bolster economic growth, increase loan volumes and secure the value of mortgaged properties, improving our overall asset quality. See "– Recent Development."

A significant amount of our corporate and personal loans was secured by pledges, collateral or guarantees during the Track Record Period. The following table sets forth the distribution of our corporate and personal loans by type of security interest as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Pledged loans(1)(2)	5,016.6	14.9	6,565.0	16.6	8,218.0	18.6	8,983.1	19.2
Collateralized loans(1)(3)	15,735.0	46.6	16,895.1	42.8	18,338.5	41.6	19,343.7	41.3
Guaranteed loans(1)	11,113.9	32.9	14,846.5	37.6	16,300.4	37.0	16,951.5	36.2
Unsecured loans	1,885.0	5.6	1,191.5	3.0	1,222.4	2.8	1,538.2	3.3
Gross corporate and personal loans	33,750.5	100.0	39,498.1	100.0	44,079.3	100.0	46,816.5	100.0

Notes:

(1) Represent the total amount of fully or partially secured corporate and personal loans in each category. If a corporate or personal loan is secured by more than one form of security interest, the classification is based on the primary form of security interest.

(2) Represent loans with security interests created over tangible or intangible assets by taking possession of such assets.

(3) Represent loans with security interests created over tangible or intangible assets without taking possession.

We generally require our security interests pertaining to pledged or collateralized loans to be sufficient to cover the principal and interest of the corresponding secured loans. We follow our internal policies and procedures in determining the maximum loan-to-value ratio for each loan on a case-by-case basis. During the Track Record Period, we maintained a record for the aggregate loan-to-value ratio of our pledged and collaboralized loans as some loans were secured by both methods. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our aggregate loan-to-value ratio of pledged and collateralized loans was 33.56%, 32.85%, 32.21% and 33.21%, respectively, calculated by dividing the carrying amount of loans by the value of collateral and pledges. See Note 3.1.3 of Appendix I to this Prospectus for details of our maximum loan-to-value ratio requirements for principal types of collateral and pledges securing our corporate and personal loans, and "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans – Pre-loan Investigations – Collateral and Pledge Evaluation" for our policies on collateral and pledge evaluation.

ECL Allowance on Loans and Advances to Customers

We determine a level of allowance for expected credit losses in accordance with the requirements of IFRS 9 during the Track Record Period. See "Assets and Liabilities – Assets – ECL Allowance on Loans and Advances to Customers."

We primarily recognized ECL allowance on corporate loans to industries including (i) wholesale and retail trade, (ii) manufacturing, (iii) renting and business activities and (iv) construction as of June 30, 2024. The following table sets forth the distribution of our ECL allowance on corporate loans by industry as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[1]	*Amount*	*% of total*	*Allowance to gross loan ratio*[1]	*Amount*	*% of total*	*Allowance to gross loan ratio*[1]	*Amount*	*% of total*	*Allowance to gross loan ratio*[1]
	(RMB in millions, except for percentages)											
Wholesale and retail trade	267.9	18.3	4.17	348.8	23.2	4.74	535.4	24.5	5.74	531.5	23.7	4.97
Manufacturing	273.4	18.7	7.26	236.9	15.8	6.43	279.3	12.8	6.65	318.5	14.2	7.09
Renting and business activities	325.4	22.2	10.56	166.3	11.1	5.24	245.1	11.2	7.09	263.0	11.7	7.24
Construction[2]	199.8	13.7	3.18	230.4	15.3	2.89	306.8	14.0	3.58	232.5	10.4	2.77
Financing[3]	30.1	2.1	10.26	31.9	2.1	11.43	215.0	9.8	100.00	184.1	8.2	83.05
Agriculture, forestry, animal husbandry and fisheries	56.0	3.8	9.20	67.3	4.5	3.72	115.4	5.3	4.28	182.3	8.1	6.01
Education	62.0	4.2	2.48	105.1	7.0	3.87	126.5	5.8	4.91	161.9	7.2	5.78
Real estate	41.4	2.8	3.90	49.4	3.3	3.14	55.7	2.5	2.77	78.8	3.5	3.70
Water, environment and public facilities management	38.8	2.7	2.62	48.1	3.2	1.87	57.3	2.6	2.18	72.2	3.2	2.78
Accommodation and catering[4]	79.2	5.4	12.90	75.6	5.0	13.21	142.4	6.5	25.29	47.5	2.1	9.48
Electricity, heat, gas and water production and supply	11.2	0.8	4.85	18.8	1.3	2.24	21.5	1.0	2.61	45.0	2.0	3.70

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]
	(RMB in millions, except for percentages)											
Transportation, warehousing and express service	15.7	1.1	3.90	17.2	1.1	3.54	22.1	1.0	3.36	36.8	1.6	4.43
Information transmission, software and information technology services	3.0	0.2	2.48	12.0	0.8	7.93	19.6	0.9	6.60	28.8	1.3	9.01
Culture, sport and entertainment	12.7	0.9	2.68	50.4	3.4	10.54	7.1	0.3	3.06	18.7	0.8	3.87
Mining	32.3	2.2	11.60	31.3	2.1	10.87	11.4	0.5	3.93	17.1	0.8	5.25
Health, social security and social welfare	8.5	0.6	2.69	6.5	0.4	2.02	9.8	0.4	2.76	10.9	0.5	3.75
Residential services, repairs and other services	0.3	0.0	2.48	1.1	0.1	2.32	4.6	0.2	7.00	5.8	0.3	7.63
Scientific research and technology services	5.0	0.3	5.35	5.2	0.3	3.11	11.8	0.5	5.74	5.6	0.2	3.25
Total ECL allowance on corporate loans	1,462.7	100.0	5.22	1,502.3	100.0	4.36	2,186.8	100.0	5.58	2,241.0	100.0	5.35

Note:

(1) Calculated by dividing ECL allowance on corporate loans to each industry by gross corporate loans to that industry.

(2) The amount of loans written off for construction loans in 2021, 2022, 2023 and the six months ended June 30, 2024 was RMB16.0 million, nil, RMB5.0 million and RMB12.0 million, respectively.

(3) The increases in the allowance to gross loan ratio for financing industry in 2023 and the six months ended June 30, 2024 were primarily attributable to the downgrade of certain loan in response to changes in the repayment capability of a borrower engaged in financial leasing as a result of operational difficulties, which led to a corresponding increase in the provisions made thereof.

(4) The increase in the allowance to gross loan ratio for accommodation and catering industry in the six months ended June 30, 2024 was primarily attributable to the downgrade of certain loans in response to the changes in repayment capability of relevant borrowers engaged in hotel business as a result of operational difficulties, which led to a corresponding increase in the provisions made thereof.

Changes in Asset Quality of Our Loans and Advances to Customers

The following table sets forth the changes in our NPLs for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	(RMB in millions)			
Balance at the beginning of the year	725.2	804.2	772.5	903.9
Increases	499.8	491.9	500.0	358.0
Downgrade	499.8	491.9	500.0	358.0
Decreases	420.8	402.7	368.6	317.9
Recovery	160.2	85.8	42.2	60.3
Upgrade	5.1	56.5	115.0	–
Write-off	255.5	260.4	211.4	257.6
Balance at the end of the year	804.2	772.5	903.9	944.0
NPL ratio as of the end of the year	2.27	1.77	1.76	1.72

We have been working on optimizing our credit risk management in accordance with the relevant regulatory policies and in alignment with the trends of industry development. Our approaches to reduce our NPLs mainly include (i) collecting repayment from the borrower; (ii) restructuring loans to reschedule or adjust the terms of loan; (iii) write-offs; (iv) executing collateral or pursuing recovery from the guarantor; (v) initiating legal proceedings against the borrower to claim repayment; and (vi) disposal of loans by way of transfer.

The transfer of NPL is a swift and efficient recovery measure. We have developed comprehensive policies for managing NPLs, considering multiple factors before initiating a transfer. These include our need for credit risk control, business strategy and objectives, the discount level of the transfer, and the applicable laws, regulations, regulatory policies and market environment. For details of our policies regarding management of non-performing loans, see "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans – Non-performing Asset Management – Transfer of Non-performing Loans." During the Track Record Period, we transferred written-off NPLs with a carrying amount of RMB6.9 million to an Independent Third Party at a transfer price of RMB1.9 million in 2021, representing a discount rate of 27.6%. The balance of NPLs transferred out on the balance sheet in 2021 was nil because the NPLs were written off and recognized in expected credit loss before transfer. The proceeds received from the NPL transfer in 2021 were recognized as reversal of ECL allowance. We did not transfer any NPLs in 2022 or 2023 or the six months ended June 30, 2024. All NPL transfers were conducted at arm's length and in compliance with applicable laws and regulations.

We continued to implement a series of measures to improve our asset quality during the Track Record Period. These included strengthening our NPL collection efforts, writing off NPLs, and reinforcing rigorous approval procedures for new loan applications. As a result of our efforts, we experienced a continuous improvement in our NPL ratio during the Track Record Period.

Specifically, in 2021, 2022, 2023 and the six months ended June 30, 2024, the total amount of loans written off was RMB255.5 million, RMB260.4 million, RMB211.4 million and RMB257.6 million, respectively. Written-off loans were classified as off-balance-sheet assets and were no longer included in our loan portfolio after being written off.

In addition, we experienced continual growth in the gross loans and advances to customers during the Track Record Period, which increased from RMB35,432.7 million as of December 31, 2021 to RMB43,666.5 million as of December 31, 2022, then increased to RMB51,391.5 million as of December 31, 2023, and further increased to RMB54,820.3 million as of June 30, 2024. Despite growth in overall loan balance, our asset quality improved as a result of our increased NPL collection efforts and prudent procedures in approving new loan applications. Accordingly, our NPL ratio decreased from 2.27% as of December 31, 2021 to 1.77% as of December 31, 2022, then decreased to 1.76% as of December 31, 2023, and further decreased to 1.72% as of June 30, 2024. Our allowance coverage ratio increased from 198.35% as of December 31, 2021 to 213.40% as of December 31, 2022, and further increased to 262.02% as of December 31, 2023. Our allowance coverage ratio remained relatively stable at 262.02% as of December 31, 2023 and 254.97% as of June 30, 2024. We have consistently met the NPL ratio and allowance coverage ratio requirement throughout the Track Record Period.

In terms of business line, our non-performing corporate loans decreased by 15.7% from RMB657.9 million as of December 31, 2021 to RMB554.9 million as of December 31, 2022, primarily attributable to our continual efforts in collecting non-performing corporate loans and our enhanced credit risk management that improved the quality of our assets. Our non-performing corporate loans increased by 26.4% from RMB554.9 million as of December 31, 2022 to RMB701.5 million as of December 31, 2023, and then increased by 10.6% to RMB776.2 million as of June 30, 2024, primarily due to the increased credit risks relating to certain corporate borrowers affected by the earlier public health incident and the moderation of economic growth, resulting in a weakening of borrowers' operational capabilities, particularly a corporate borrower engaged in the manufacturing industry. For the same reasons, the NPL ratio of our corporate loans decreased from 2.35% as of December 31, 2021 to 1.61% as of December 31, 2022, then increased to 1.79% as of December 31, 2023, and further increased to 1.85% as of June 30, 2024. In addition, our non-performing personal loans increased by 48.8% from RMB146.3 million as of December 31, 2021 to RMB217.7 million as of December 31, 2022, primarily due to the increased credit risks relating to individual business owners affected by the market condition. Our non-performing personal loans decreased by 7.0% from RMB217.7 million as of December 31, 2022 to RMB202.4 million as of December 31, 2023, and further decreased by 17.1% to RMB167.8 million as of June 30, 2024, primarily due to our continual efforts in collecting non-performing personal loans. For the same reasons, the NPL ratio of our personal loans increased from 2.56% as of December 31, 2021 to 4.34% as of December 31, 2022, then decreased to 4.12% as of December 31, 2023, and further decreased to 3.42% as of June 30, 2024, which remained compliant with the regulatory requirement in terms of NPL ratio set forth by the NAFR during the Track Record Period.

For other details of the changes in our NPLs during the Track Record Period, see "Assets and Liabilities – Assets – Asset Quality of Our Loan Portfolio – Changes in Asset Quality of Our Loans and Advances to Customers."

For other details of our loans and advances to customers, see "Assets and Liabilities – Assets – Loans and Advances to Customers."

Financial Investments

Our financial investments consist primarily of debt securities investment and SPV investment. Our SPV investment mainly comprises our investment through asset management plans, funds and wealth management products. The following table sets forth the components of our financial investments as of the dates indicated:

	As of December 31,						**As of June 30,**	
	2021		**2022**		**2023**		**2024**	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Debt securities investment	21,122.3	97.1	23,527.2	97.4	28,961.1	96.6	32,372.1	95.8
SPV investment								
– Asset management plans	559.4	2.6	406.9	1.7	221.1	0.7	191.0	0.6
– Funds	–	–	200.0	0.8	480.6	1.6	1,184.7	3.5
– Wealth management products	–	–	–	–	300.1	1.0	–	0.0
Other financial investments[1]	72.5	0.3	33.2	0.1	35.4	0.1	33.7	0.1
Net financial investments	21,754.2	100.0	24,167.3	100.0	29,998.3	100.0	33,781.5	100.0

Note:

(1) Primarily consist of debt financing instruments and unlisted stocks.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our SPV investment amounted to RMB559.4 million, RMB606.9 million, RMB1,001.8 million and RMB1,375.7 million, respectively, accounting for 0.8%, 0.8%, 1.1% and 1.4% of our total assets as of the same respective dates.

We are committed to a cautious and prudent financial investment strategy that aligns with our overarching policy and risk management framework. Our SPV investment is made based on investment preference and appetite, market conditions and other factors, and investment decisions are made taking into account the yield, maturity, risk and liquidity profiles of these investments. We adopt stringent investment decision-making procedures and post-investment management policies to control the risks associated with SPV investment. Our financial investment policy, particularly in the realm of wealth management products, is meticulously crafted and implemented following approval by the Board of Directors as part of our annual development plan for financial market operations. The fundamental objectives and principles guiding our financial market activities are predicated on ensuring asset liquidity and security. Our asset allocation prioritizes liquidity and safety, with stringent credit risk control standards. Investments are refined based on specific asset categories, financing entities, and geographical considerations, with a focus on enhancing investment standards, reducing the average duration of credit debt investments, and selecting appropriate allocation strategies. This approach is balanced against regulatory indicators, asset-liability management objectives, and profitability targets. See "Risk Management – Credit Risk Management – Credit Risk Management of Our Financial Market Business – Credit Risk Management of Debt Securities Investment and SPV Investment – SPV Investments."

We did not invest in wealth management products in 2021 and 2022. In 2023, we invested in wealth management products with a net value of RMB300.1 million as of December 31, 2023. We redeemed this product in April 2024, with a redemption amount of approximately RMB302.6 million. This investment is consistent with our investment policy and risk management framework.

See "Risk Factors – Risks Relating to Our Business – We are subject to risks relating to our financial investments, including potential losses or decreased returns that may affect our results of operations" for discussions on the risks relating to our SPV investments.

CASH FLOW

The following table sets forth our cash flows for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in millions)				
				(unaudited)	
Cash flow from operating activities before changes in operating assets and liabilities	766.3	984.5	846.1	438.1	296.4
Cash flows from changes in operating assets and liabilities	(543.0)	(125.6)	5,210.7	(3,204.5)	(4,753.0)
Net cash generated from operating activities	182.6	813.9	5,991.7	3,606.0	4,964.2
Net cash used in investing activities	(6,319.1)	(300.0)	(4,992.7)	(6,594.1)	(2,790.2)
Net cash generated from/(used in) financing activities	4,213.5	93.8	(1,371.6)	(694.2)	(2,845.6)
Net increase/(decrease) in cash and cash equivalents	(1,923.0)	607.7	(372.6)	(3,682.3)	(671.6)
Cash and cash equivalents at the beginning of the year/period	9,537.1	7,614.1	8,221.8	8,221.8	7,849.2
Cash and cash equivalents at the end of the year/period	7,614.1	8,221.8	7,849.2	4,539.5	7,177.6

We had cash flows from operating activities before changes in operating assets and liabilities of RMB766.3 million, RMB984.5 million, RMB846.1 million, RMB438.1 million and RMB296.4 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

We had a net cash inflow from operating activities of RMB4,964.2 million in the six months ended June 30, 2024, primarily attributable to our profit before income tax of RMB347.0 million, as adjusted by (i) a net increase of RMB9,024.1 million in customer deposits; (ii) a net increase of RMB3,635.8 million in loans and advances to customers; (iii) a net increase of RMB424.4 million in amounts due to banks and other financial institutions; and (iv) a net increase of RMB410.9 million in balances with central bank.

We had a net cash inflow from operating activities of RMB5,991.7 million in 2023, primarily attributable to our profit before income tax of RMB542.6 million, as adjusted by (i) a net increase of RMB12,045.2 million in customer deposits; (ii) a net increase of RMB7,964.5 million in loans and advances to customers; (iii) a net increase of RMB1,113.0 million in amounts due to banks and other financial institutions; and (iv) a net increase of RMB318.0 million in borrowings from central bank.

We had a net cash inflow from operating activities of RMB813.9 million in 2022, primarily attributable to our profit before income tax of RMB477.5 million, as adjusted by (i) a net increase of RMB11,051.1 million in customer deposits; (ii) a net increase of RMB881.1 million in borrowings from central bank; partially offset by (iii) a net increase of RMB8,345.1 million in loans and advances to customers; and (iv) a net increase of RMB2,709.6 million in other operating assets.

We had a net cash inflow from operating activities of RMB182.6 million in 2021, primarily attributable to our profit before income tax of RMB369.0 million, as adjusted by (i) a net increase of RMB5,987.4 million in customer deposits; (ii) a net increase of RMB874.6 million in amounts due to banks and other financial institutions; partially offset by (iii) a net increase of RMB7,724.0 million in loans and advances to customers.

Selected Ratios

The following table sets forth our key financial indicators for the periods indicated:

	Years ended December 31,			**Six months ended June 30,[6]**	
	2021	**2022**	**2023**	**2023**	**2024**
Return on average assets[1]	0.52%	0.58%	0.55%	0.60%	0.54%
Return on average equity[2]	4.72%	5.13%	5.32%	5.76%	5.54%
Net interest spread[3]	2.46%	2.45%	2.08%	2.17%	1.76%
Net interest margin[4]	2.56%	2.59%	2.18%	2.21%	1.86%
Cost-to-income ratio[5]	36.27%	33.99%	31.17%	29.66%	31.25%

Notes:

(1) Calculated by dividing net profit for the year/period by the average balance of total assets at the beginning and the end of the year/period.

(2) Calculated by dividing net profit for the year/period by the average balance of total equity at the beginning and the end of the year/period.

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

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

(5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by total operating income.

(6) On annualized basis.

During the Track Record Period, our return on average equity continuously increased from 4.72% in 2021 to 5.54% in the six months ended June 30, 2024, although it experienced a slight decline compared to the same period in 2023. This was primarily attributable to the combined effects of the changes in our net profit and total equity. Our net profit continuously increased from 2021 to 2023, while remained relatively stable in the six month ended June 30, 2024 compared to the same period in 2023, which was mainly attributable to the recognition of higher expected credit loss and the narrowing net interest margin affected by monetary policies. See "Industry Overview – National and Regional Economy – Impact of Macroeconomic Environment on PRC Banking Industry – Monetary Policies." In addition, our continuous growth in total equity during the Track Record Period, primary driven by other comprehensive income and capital injection from our shareholders, also exerted downward pressure on our return on average equity due to the larger equity base.

To balance our business growth and risk control, we are required to adopt a steady strategy with gradual capital deployment that integrates both profitability and prudent risk management. We plan to allocate our resources gradually and effectively and optimize our loan portfolio by prioritizing high-yield, low-risk lending opportunities to enhance our potential returns. We also plan to continuously monitor prevailing economic conditions and monetary policy, formulating strategies to enhance profitability despite narrowing net interest margins. In addition, we plan to continue to implement robust credit assessment procedures to ensure loans and advances are granted to creditworthy customers, and leverage technology to improve efficiency and customer service, driving business growth and strengthening our risk management.

The following table sets forth certain regulatory indicators as of the dates indicated, calculated in accordance with requirements on the PRC banking regulatory authorities and applicable accounting standards applicable in each year/period.

	As of December 31,			As of June 30,	Regulatory requirements
	2021	2022	2023	2024	
Capital adequacy indicators[1]					
Core tier-one capital adequacy ratio[2]	15.26%	12.86%	12.22%	13.49%	≥7.5%
Tier-one capital adequacy ratio[3]	15.30%	12.89%	12.26%	13.52%	≥8.5%
Capital adequacy ratio[4]	16.47%	14.08%	13.41%	14.74%	≥10.5%
Asset quality indicators					
NPL ratio[5]	2.27%	1.77%	1.76%	1.72%	≤5%
Allowance coverage ratio[6]	198.35%	213.40%	262.02%	254.97%	≥150%
Allowance to gross loan ratio[7]	4.50%	3.78%	4.61%	4.39%	≥2.5%
Other indicators					
Loan to deposit ratio[8]	74.71%	75.02%	73.64%	69.83%	N/A

Notes:

(1) The capital adequacy indicators as of June 30, 2024 were calculated in accordance with New Capital Management Regulations, which took effect on January 1, 2024. It classifies commercial banks into three tiers based on their adjusted on-balance-sheet and off-balance-sheet assets as well as overseas claims and debt, and imposes specific requirements on each tier in terms of capital adequacy ratios, risk weights, and disclosure standard. See "Regulatory Overview – Supervision Over Capital Adequacy – Latest Supervisory Standards Over Capital Adequacy."

(2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(3) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(4) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(5) Calculated by dividing total NPLs by gross loans and advances to customers.

(6) Calculated by dividing total ECL allowance of loans and advances to customers by total NPLs.

(7) Calculated by dividing total ECL allowance of loans and advances to customers by gross loans and advances to customers.

(8) Calculated by dividing gross loans and advances to customers by total customer deposits (excluding accrued interest).

The capital adequacy ratio decreased from 16.47% as of December 31, 2021 to 14.08% as of December 31, 2022 and further decreased to 13.41% as of December 31, 2023, primarily due to our continually increased risk-weighted assets in line with the increase in loans and advances to customers during the Track Record Period, which outpaced the growth of our capital as we primarily relied on internal resources such as retained earnings and net profit to enhance our capital levels. Our capital adequacy ratio then increased to 14.74% as of June 30, 2024, primarily attributable to the new calculation requirements mentioned above effective on January 1, 2024.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 688,400,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 4,588,400,000 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$2.59	**Based on an Offer Price of HK$2.72**
Market capitalization	HK$11,884.0 million	HK$12,480.4 million
Unaudited pro forma adjusted net tangible assets per Share[1]	RMB2.37[2] HK$2.56	RMB2.39[2] HK$2.58

Notes:

(1) The amount of unaudited pro forma adjusted net tangible assets per share is calculated in accordance with Rule 4.29 of the Listing Rules after the adjustments referred to in "Appendix III – Unaudited Pro Forma Financial Information."

(2) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB0.92545 to HK$1.00, the exchange rate set by the PBoC prevailing on 20 December 2024. No representation is made that the Hong Kong Dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

(3) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Bank entered into subsequent to June 30, 2024.

DIVIDEND AND DIVIDEND POLICY

Dividend Policy

We have established the Dividend Distribution Management Measures (《股利分派管理辦法》) that stipulates our dividend policy. We do not have a fixed dividend payout ratio. Our Board of Directors is responsible for submitting proposals (adopted by a two-thirds majority) in respect of dividend payments, if any, to the Shareholders' general meeting for approval. The determination of whether to pay dividends and the amount of such dividends is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors considers relevant.

Under PRC laws and our Articles of Association, we may only pay dividends out of our distributable profits. Under relevant MOF regulations, we are required to maintain a general reserve no less than 1.5% of the balance of our risk-bearing assets from our net profits after tax. Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, generally we do not pay any dividends in a year in which we do not have any distributable profit in respect of that year.

We are prohibited from making any profit distributions to our Shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve, the general reserve, and any discretionary surplus reserve as approved by our Shareholders' general meeting. In addition, the NAFR has the authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated other relevant PRC banking regulations, from paying dividends or making other forms of distributions.

Dividend Declared During the Track Record Period

According to the approval of the 2022 Annual Shareholders' Meeting on May 19, 2022, we undertook to distribute RMB48.8 million from retained earnings as cash dividends to shareholders. As of the Latest Practicable Date, the cash dividend had been distributed as mentioned.

According to approval of the 2023 Annual Shareholders' Meeting on June 29, 2023, we undertook to distribute RMB58.5 million from retained earnings as cash dividends to shareholders. As of the Latest Practicable Date, the cash dividend had been distributed as mentioned.

According to 2024 Annual Shareholders' Meeting on April 29, 2024, we undertook to distribute RMB78.0 million from retained earnings as cash dividends to shareholders. As of the Latest Practicable Date, the cash dividend had been distributed as mentioned.

No dividend was declared post the Track Record Period and up to the Latest Practicable Date. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size, dividends will be paid in the future. For further details on our Bank's dividends, see "Financial Information – Dividends."

SHAREHOLDING RESTRICTION AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Pursuant to the Interim Rules on Management of Shareholdings of Commercial Banks 《商業銀行股權管理暫行辦法》, (i) prior approval from the NAFR shall be obtained prior to the shareholding of any investor, together with the shareholdings of its related parties and parties acting in concert, reaches or exceeds 5% of the total issued share of our Bank; and (ii) if any investor, together with its related parties and parties acting in concert, comes into holding equal to or more than 1% but less than 5% of the total issued share of our Bank, he or she shall report to the NAFR within ten business days after acquiring such shareholdings.

As of the Latest Practicable Date, there were four Shareholder holding more than 5% of our issued Shares, namely, Sichuan Yibin Wuliangye Group Co., Ltd., Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau and Yibin Nanxi District Finance Bureau directly held approximately 19.99%, 19.987%, 19.98% and 16.94% of our Shares, respectively. Immediately after the Global Offering and assuming that the Over-allotment Option is not exercised, Sichuan Yibin Wuliangye Group Co., Ltd., Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau and Yibin Nanxi District Finance Bureau will directly hold approximately 16.99%, 16.988%, 16.98% and 14.40% of our Shares, respectively (or approximately 16.62%, 16.614%, 16.61% and 14.08%, respectively, assuming that the Over-allotment Option is fully exercised). For details of our Substantial Shareholders, see "Substantial Shareholders."

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$2.65, being the mid-point of the proposed Offer Price range of HK$2.59 to HK$2.72, we estimate that the net proceeds of the Global Offering accruing to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to be approximately HK$1,750 million, if the Over-allotment Option is not exercised; or approximately HK$2,019 million, if the Over-allotment Option is exercised in full. We intend to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business. For details on our proposed use of proceeds from the Global Offering, see "Future Plans and Use of Proceeds."

RISK FACTORS

There are certain risks and uncertainties involved in investing in our H Shares, some of which are beyond our control. For details of these risks, see "Risk Factors." Some of the major risks we face include that (i) we generated a substantial portion of our operating income from Yibin. As such, we face uncertainties associated with local economic growth and changes in local government policies and measures; (ii) if we are unable to effectively maintain and improve the quality and growth of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected; (iii) further development of interest rate liberalization, PBoC's adjustments to the benchmark interest rate, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our business, financial condition and results of operations; (iv) we face increasingly intense competition in China's banking industry; (v) we are exposed to risks associated with any significant or protracted adjustment in, or change in policies adversely affecting, the real estate market in China; (vi) we are exposed to risks arising from loans granted to small and micro enterprises and individual business owners; (vii) we engage in offsite lending, and face risks associated with geographic expansion. Any failure to navigate the complexities and potential financial repercussions inherent in offsite lending activities could adversely affect our operational and financial performance; (viii) traditional banking institutions may face intensified challenges from market players including Internet finance; (ix) our historical results of operations may not be indicative of our future performance; (x) the collateral or guarantees securing our loans to customers may not be sufficient or fully realizable; (xi) if we fail to fully comply with various regulatory requirements applicable to us, our reputation could be harmed and our business, financial condition and results of operation could be materially and adversely affected; (xii) we may be involved in legal and other disputes from time to time arising out of our operations; and (xiii) issues related to land use rights and building ownership may adversely affect our right to occupy and use certain properties.

For details of risk factors, see “Risk Factors.”

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic starting from December 2019 had presented certain challenges to the global economy. In response, we have implemented various measures during the outbreak, including promoting digital banking and constructing an intelligent business repository to protect employees and customers. We have also introduced a number of supportive financial measures, including anti-pandemic loans, stabilizing loans and a green channel, to provide eligible businesses and individuals, particularly those essential to the pandemic prevention and control, with prompt access to necessary financial services and support. Overall, our business operations did not experience any material interruptions due to the COVID-19 pandemic. See “Business – Impact of the COVID-19 Pandemic.”

RECENT DEVELOPMENTS

Our business and financial performance, including our NPLs and NPL ratio, remained relatively stable since June 30, 2024 and up to the Latest Practicable Date. We have confirmed that, since June 30, 2024 and up to the date of this Prospectus, there had been no material adverse change in our financial or trading position.

Impact of Policies Related to Real Estate Market

Post the Track Record Period, the PBoC and NAFR have introduced a series of policies aimed to stimulate the real estate market and enhance economic stability in China. Key measures include:

- ***Deposit Reserve Ratio Reduction***. On September 27, 2024, the PBoC announced a reduction in the deposit reserve ratio by 50 basis points, lowering it from 5.5% to 5.0%. This adjustment does not impact financial institutions, including our Bank, which have already been operating with a 5.0% statutory deposit reserve ratio.

- ***LPR Adjustment***. The LPR continued its downward trend post the Track Record Period and up to the Latest Practicable Date. See “Industry Overview – National and Regional Economy – Impact of Macroeconomic Environment on PRC Banking Industry – Monetary Policies” for details. While it may compress our interest margins in the short term, the declining LPR would reduce borrowing costs, potentially increasing loan demand and stimulating economic activity.

- ***Housing Loan Policies***. In September 2024, the PBoC and NAFR announced the removal of the distinction between first and second-home commercial personal housing loans, setting a uniform minimum down payment ratio of 15%. While the reduced down payment ratio may lower banks' margins for cost recovery, particularly with non-performing assets during property devaluation, it is expected to attract more housing loan customers. This is especially likely given the declining LPR, which may also reduce the likelihood of early repayments, thereby maintaining interest income.

- ***Relending Proportion Increase***. In September 2024, the PBoC increased the relending proportion for affordable housing loans from 60% to 100% of the loan principal for qualifying financial institutions. The policy provides qualifying financial institutions with greater liquidity and financial capacity to support affordable housing projects, thereby stimulating the growth and stability in the real estate sector.

- ***Mortgage Rate Adjustment***. In September 2024, the PBoC optimized the mortgage rate pricing mechanism by allowing adjustments to the margin added to the LPR and abolishing the minimum one-year interval for adjusting mortgage rates. Such policy allows the customers to respond more swiftly to market conditions and interest rate changes, potentially attracting more commercial personal housing loan customers while reducing the likelihood of early repayments amidst a declining LPR. Nevertheless, the reduction in mortgage loan interest rates may potentially decrease our interest income from existing loans.

In light of policies aimed at stimulating the real estate market, we believe these measures will drive demand for primary residences and property upgrades, resulting in increased residential mortgage loan volumes. While the removal of the mortgage interest rate floor and declining interest rates may exert short-term pressure on our interest income and net interest margin, the long-term recovery of the real estate market is expected to enhance economic growth, increase loan volumes and stabilize the value of mortgaged properties. Additionally, comprehensive support for real estate projects at various stages is anticipated to improve cash flow for real estate companies, reduce sector risks, and ultimately strengthen our asset quality.

Impact of Policies Related to Local Government Debt Management

In November 2024, the Standing Committee of the National People's Congress approved an increase in the local government debt limit to replace existing implicit debts. Starting in 2024, it plans to allocate RMB800 billion annually from new local government special bonds for five consecutive years to supplement government fund resources, specifically for debt resolution. This could significantly alleviate cash flow issues for local governments and LGFVs. This could improve the quality of our financial assets and enhance our credit lending capacity, subsequently improving our profitability.

Bond Trading Activities

Post the Track Record Period, we recorded a significant increase in bond trading volume as well as net gains on financial investments. Amid macro-economic developments, the market entered an interest rate downturn cycle, during which bond market yields trended lower with fluctuations. We seized market opportunities and increased our bond trading activities, primarily focusing on high credit rating and highly liquid instruments such as local government bonds and policy bank bonds. The PBoC has recently emphasized the need for financial institutions to closely monitor their interest rate risks, enhance their research and investment capabilities, and ensure the stability of their bond investments. We will continue to strictly adhere to our established risk management framework and optimize our investment portfolio.

LISTING EXPENSES

We expect to incur listing expenses (a contracted amount which includes value-added tax of approximately RMB2.2 million) of approximately RMB68.8 million (assuming an Offer Price of HK$2.65 per H Share, being the mid-point of the indicative Offer Price range as stated in this Prospectus, and assuming the Over-allotment Option is not exercised), accounting for approximately 4.1% of the estimated gross proceeds of the Global Offering accruing to us. Our estimated listing expenses include (i) underwriting-related expenses, representing underwriting commission and fees of approximately RMB25.4 million; and (ii) non-underwriting-related expenses, comprising professional fees to the legal advisors and reporting accountant of approximately RMB28.1 million for their services rendered in relation to the Global Offering and the Listing, and other fees and expenses of approximately RMB13.1 million. Among the total listing expenses of RMB66.6 million (excluding the value-added tax), we have incurred listing expenses of approximately RMB24.7 million as of June 30, 2024, of which RMB1.7 million were reflected in our consolidated statement of comprehensive income and RMB23.0 million is expected to be accounted for as a deduction from equity upon Listing. The remaining listing expenses of approximately RMB41.9 million are expected to be incurred after June 30, 2024, of which RMB5.6 million is expected to be charged to our consolidated statements of comprehensive income and RMB36.3 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. We do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2024.

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

"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"APP" or "app"	application software designed to run on smartphones and other mobile devices
"Articles of Association" or "Articles"	our articles of association, the version of which was adopted by our Shareholders at the Shareholders' meeting on April 29, 2024 and was approved by NAFR Sichuan Office on December 20, 2024, which will become effective upon the Listing, as amended, supplemented or otherwise modified from time to time
"ATM(s)"	automated teller machine(s)
"Baijiu"	白酒, a colorless Chinese liquor typically coming in between 35% and 60% alcohol by volume
"Bank" or "our Bank"	Yibin City Commercial Bank Co., Ltd* (宜賓市商業銀行股份有限公司*), a joint stock company established on December 27, 2006 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branch and sub-branches, excluding subsidiary
"Banking (Disclosure) Rules"	the Banking (Disclosure) Rules, Chapter 155M of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Banking Ordinance"	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Basel Accords"	Basel I, Basel II and Basel III, collectively
"Basel I"	the Basel Capital Accord promulgated in 1988
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004

"Basel III"	the Revised Basel Capital Accord promulgated in December 2010
"Board" or "Board of Directors"	the board of Directors of the Bank
"Board of Supervisors"	the board of Supervisors of the Bank
"Business Day(s)"	any day(s) (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"CAGR"	compound annual growth rate
"Capital Administrative Measures (Provisional)"	the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the former CBRC on June 7, 2012 and effective on January 1, 2013. It was replaced on January 1, 2024 with Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》)
"Capital Market Intermediaries" or "capital market intermediary(ies)" or "CMI(s)"	the capital market intermediaries as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a former regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018 and replaced by NAFR according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2023] No. 5) issued by the State Council on March 16, 2023, and, if the context requires, includes its predecessors, namely the CBRC and CIRC
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會), which was merged with the CIRC and formed the CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, but for the purpose of this Prospectus only and, unless the context otherwise requires, excluding Hong Kong, Macau and Taiwan
"China Development Bank"	a state-owned policy-based development financial institution directly overseen by the State Council, which was established in 1994 in the PRC
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), which was merged with the CBRC and formed the CBIRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018
"city commercial banks"	city commercial banks established with the approval of NAFR and other regulatory authorities pursuant to the PRC Company Law and the PRC Commercial Bank Law
"commercial banks"	all of the banking institutions in the PRC, other than policy banks, which includes the large commercial banks, the nationwide joint-stock commercial banks, city commercial banks and urban credit cooperatives, rural cooperative financial institutions, foreign-invested banks and other banking institutions
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Core Indicators (Provisional)"	the Core Indicators for Risk-based Supervision of Commercial Banks (Provisional) (商業銀行風險監管核心指標(試行)), as promulgated by the former CBRC on December 31, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time

"COVID-19"	a newly identified coronavirus known to cause contagious respiratory illness
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Bank
"Domestic Unlisted Shares"	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
"ECL"	expected credit loss
"ECL rate"	calculated by dividing expected credit loss allowance by the balance of related assets
"Extreme Conditions"	extreme conditions as announced by the Government of Hong Kong
"financial asset investment companies"	non-bank financial institutions established within the PBoC, with the approval of the NAFR according to the Interim Measures for the Capital Management of Financial Asset Investment Companies (《金融資產投資公司資本管理辦法(試行)》), which primarily engage in debt-to-equity swaps in banks and related supporting businesses
"FINI"	the "Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all New Listings
"Fire Safety Consultant"	Yibin Chi An Fire Safety Technology Co., Ltd. (宜賓市馳安消防技術有限公司)
"foreign-invested banks"	financial institutions formed upon approval within the territory of the PRC in accordance with the relevant laws and regulations, which includes wholly foreign-funded banks, Chinese-foreign equity joint venture banks, branches of foreign banks and representative offices of foreign banks

"GDP"	gross domestic product
"General Rules of HKSCC"	the terms and conditions regulating the use of HKSCC's services, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"GFA"	gross floor area
"GHG"	greenhouse gas, gas in the atmosphere that raises the surface temperature of planet Earth and strengthens the greenhouse effect, contributing to climate change
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Finance"	financial products and/or services offered by us which are to support the improvement of environment, cope with the change in climate, and finance or support energy saving business activities, which would cover the financing for various projects relating to green infrastructure upgrades, the ecological and environmental industry, and the energy-saving and environmental protection industry
"Group," "we" or "us"	our Bank together with our subsidiaries, and, if the context requires, includes our predecessors, branch and sub-branches
"H Share(s)"	the ordinary share(s) to be issued by the Bank in Hong Kong under the Global Offering with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in Hong Kong Dollars and to be listed and traded on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKMA"	the Hong Kong Monetary Authority
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC EIPO"	the application for Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly in CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong Offer Shares"	68,840,000 H Shares (subject to reallocation) offered in the Hong Kong Public Offering
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares (subject to reallocation) by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this Prospectus relating thereto, as described in "Structure of the Global Offering – Hong Kong Public Offering"
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters"

"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering dated December 27, 2024 entered into among our Bank, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters, as described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement"
"HTML5"	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard
"IAS"	International Accounting Standard
"IC card"	integrated circuit card
"IFRS"	International Financial Reporting Standards and International Accounting Standards, which include the related standards, amendments and interpretations issued by the International Accounting Standards Board
"independent third party(ies)"	a person or entity who is not considered a connected person of the Bank under the Listing Rules
"International Offer Shares"	619,560,000 H Shares initially offered by the Bank pursuant to the International Offering together, where relevant, with any additional H Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering"
"International Offering"	conditional placement by the International Underwriters of the International Offer Shares, as further described in "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement

"International Underwriting Agreement"	the underwriting agreement relating to the International Offering which is expected to be entered into by, among others, the International Underwriters and us on or around the Price Determination Date
"Joint Global Coordinators", "Joint Bookrunners" or "Joint Lead Managers"	the joint global coordinators, the joint bookrunners and the joint lead managers as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" in this Prospectus
"Joint Sponsors"	CCB International Capital Limited and ICBC International Capital Limited
"large commercial banks"	Agriculture Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd., China Construction Bank Corporation, Industrial and Commercial Bank of China Limited, and unless the context otherwise requires, including Postal Saving Bank of China Co., Ltd., collectively
"large enterprises"	the enterprises other than those classified as medium, small or micro enterprises under the Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes. For example, industrial enterprises with 1,000 or more employees and operating income of RMB400.0 million or more shall be classified as large enterprises
"Latest Practicable Date"	December 21, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
"LGFV"	local government financing vehicles
"Listing"	the listing of the H Shares on the Hong Kong Stock Exchange
"Listing Date"	the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"loan-to-value ratio"	calculated as carrying amount of loans divided by fair value of collaterals or pledges
"LPR"	loan prime rate
"Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes"	the Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes (統計上大中小微企業劃分辦法) promulgated by the National Bureau of Statistics on December 28, 2017, which classifies enterprises in 16 industries into large, medium, small and micro enterprises with consideration of the nature of the industry, number of employees, operating income and total assets
"medium enterprises"	the enterprises classified as medium enterprises based on the number of their employees, operating income, and total assets under the Classification Standards of Small and Medium Enterprises. For example, industrial enterprises with fewer than 1,000 employees or operating income of less than RMB400 million shall be classified as SMEs, among which those with 300 or more employees and operating income of RMB20 million or more shall be classified as medium enterprises
"micro enterprises"	the enterprises classified as micro enterprises based on the number of employees, operating income, and total assets under the Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes. For example, industrial enterprises with fewer than 20 employees or operating income of less than RMB3 million shall be classified as micro enterprises
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MWh"	megawatt-hour, a unit of energy equal to one megawatt of power sustained for an hour

"NAFR"	National Administration of Financial Regulation (國家金融監督管理總局), which was officially established on the basis of the CBIRC with incorporation of certain functions of PBoC and the CSRC according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2023] No. 5) issued by the State Council on March 16, 2023, and, if the context requires, includes its predecessor, namely the CBIRC
"NAFR Neijiang Office"	National Administration of Financial Regulation Neijiang Office (國家金融監督管理總局內江監管分局), and, if the context requires, includes its predecessor, the CBIRC Neijiang Office
"NAFR Sichuan Office"	National Administration of Financial Regulation Sichuan Office (國家金融監督管理總局四川監管局), and, if the context requires, includes its predecessor, the CBIRC Sichuan Office
"NAFR Yibin Office"	National Administration of Financial Regulation Yibin Office (國家金融監督管理總局宜賓監管分局), and, if the context requires, includes its predecessor, the CBIRC Yibin Office
"nationwide joint-stock commercial banks"	China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., Huaxia Bank Co., Limited, China Guangfa Bank Co., Ltd., Ping An Bank Co., Ltd. (formerly named as Shenzhen Development Bank Co., Ltd.), China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd., China Minsheng Bank Corp., Ltd., Evergrowing Bank Co., Ltd., China Zheshang Bank Co., Ltd. and China Bohai Bank Co., Ltd., collectively
"NBS"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"Neijiang Xinglong Rural Bank"	Neijiang Xinglong Rural Bank Co., Ltd. (內江興隆村鎮銀行股份有限公司), a company established on December 24, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
"net capital"	core tier-one capital, additional tier-one capital and tier-two capital of a bank less corresponding capital deductions, in each case, as specified in the relevant regulations
"New Capital Management Regulations"	the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》) promulgated by the NAFR and came into effect on January 1, 2024
"New Normal"	refers to a new phase that Chinese economy has entered that is different from the high-speed growth pattern exhibited in the past. The new economic phase features more sustainable, mid- to high-speed growth with higher efficiency and lower costs
"non-bank financial institutions"	financial institutions include financial asset management companies, enterprise group finance companies, financial leasing companies, auto finance companies, currency brokerage companies, consumer finance companies, and representative offices of overseas non-banking financial institutions, which are established with the approval of the former CBIRC
"non-performing loan(s)" or "NPL(s)"	loans classified as substandard, doubtful and loss under our five-level loan classification system, with reference to the Guidelines of Risk-based classification of Loans issued by CBRC in 2007
"non-performing loan ratio" or "NPL ratio"	the percentage ratio calculated by dividing non-performing loans by gross loans and advances
"non-systematically important bank(s)"	refer to banks which are not systematically important bank(s)

"Offer Price"	the final Hong Kong dollar offer price per H Share (exclusive of any brokerage fee, SFC transaction levy, the Hong Kong Stock Exchange trading fee and AFRC transaction levy) at which the H Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as described in "Structure of the Global Offering"
"Offer Shares"	the H Shares offered in the Global Offering and, where relevant, any additional H Shares issued pursuant to the exercise of the Over-allotment Option
"online bank(s)"	refers to bank(s) that operate without a physical branch or sub-branch to deliver banking services where its customers can access a broad of products and services through internet
"Overall Coordinators"	CCB International Capital Limited and ICBC International Securities Limited
"Over-allotment Option"	the option to be granted by the Bank to the International Underwriters exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, details of which are described in "Underwriting – The International Offering"
"PBoC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"policy banks"	two financial institutions which were established in 1994 to implement the state policies for financing state-invested projects, promoting industries, and supporting economic and trade development, which includes Export and Import Bank of China and Agricultural Development Bank of China

"PRC Banking Supervision and Regulatory Law"	the Banking Supervision and Regulatory Law of the People's Republic of China (中華人民共和國銀行業監督管理法), which was promulgated by 6th session of the Standing Committee of the 10th National People's Congress on December 27, 2003 and became effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time
"PRC Commercial Banking Law"	the Commercial Banking Law of the PRC (中華人民共和國商業銀行法), which was promulgated by the 13th session of the Standing Committee of the 8th National People's Congress on May 10, 1995 and became effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the 5th session for the Standing Committee of the 8th National People's Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC government"	the PRC central government and local governments
"PRC Legal Advisors"	Global Law Office
"PRC PBoC Law"	the Law of the People's Bank of China of the PRC (中華人民共和國人民銀行法), which was promulgated by the 3rd session of the Standing Committee of the 8th National People's Congress on March 18, 1995 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	the date, expected to be on or around Thursday, January 9, 2025, on which the Offer Price is to be fixed by an agreement between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) for purpose of the Global Offering

"private banks"	banks controlled by private capital that meet the specific requirements per the Guide for the Establishment, Change, Termination and Business Scope Approval of Chinese-Funded Banking Financial Institutions and their Branches (《中資銀行業金融機構及其分支機構設立、變更、終止以及業務範圍審批事項服務指南》)
"Prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QR code"	quick response code, a machine-readable optical label that contains information about the item to which it is attached
"Regulation S"	Regulation S under the U.S. Securities Act
"Related Party" or "Related Parties"	has the meaning ascribed to it under the Administrative Measures for Related-Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) promulgated by the CBIRC, the PRC GAAP and/or IFRS
"Related Party Transaction(s)"	has the meaning ascribed to it under the Administrative Measures for Related-Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) promulgated by the CBIRC, Accounting Standards for Business Enterprises (企業會計準則) promulgated by the MOF, and/or IFRS
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"rural banks"	the banking financial institutions that are established in rural areas with the approval of the NAFR's local branches in accordance with relevant laws and regulations, funded by domestic and foreign financial institutions, domestic non-financial institutions and domestic natural persons, and mainly provide financial services for local farmers, agriculture and rural economic development

"rural financial institutions"	financial institutions that provide financial services for rural residents with the goal of rural economic development, which includes rural commercial banks, rural cooperative banks, rural credit cooperatives and novel rural financial institutions (including rural banks)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"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
"Share(s)"	ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each
"Shareholder(s)"	the holder(s) of the Shares
"SHIBOR"	the Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
"small enterprises"	the enterprises classified as small enterprises based on the number of employees, operating income, and total assets under the Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes. For example, industrial enterprises with fewer than 300 employees or operating income of less than RMB20 million shall be classified as small or micro enterprises, among which those with 20 or more employees and operating income of RMB3 million or more shall be classified as small enterprises

"SME(s)"	the enterprises classified as micro enterprises, small enterprises and medium enterprises based on the number of employees, operating income, and total assets under the Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes. For example, industrial enterprises with fewer than 1,000 employees or operating income of less than RMB400 million shall be classified as SMEs
"SPV"	special purpose vehicle
"SPV investment"	investments made by financial institutions in special purpose vehicles, including but not limited to, wealth management products managed by commercial banks, trust plans managed by trust companies, asset management plans and securities investment funds managed by fund management companies and securities firms (including their subsidiaries), asset management products managed by insurance asset management companies, which is defined in Notice on Regulating Interbank Businesses of Financial Institutions (Yin Fa [2014] No. 127) (《關於規範金融機構同業業務的通知》 (銀發[2014]127號)) jointly promulgated by the PBoC, CBRC, CSRC, CIRC and SAFE on April 24, 2014
"Stabilizing Manager"	CCB International Capital Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Bank

"systematically important bank(s)"	pursuant to the Guiding Opinions on Improving Regulation of Systematically Important Financial Institutions issued by the PBoC, CBIRC and CSRC (《中國人民銀行、中國銀行保險監督管理委員會、中國證券監督管理委員會關於完善系統重要性金融機構監管的指導意見》), this refers to bank(s) that will cause significant adverse impact on the financial system and real economy and may even cause systemic risks if a major risk event occurs to them. These banks usually provide key services in the financial system and are difficult to replace and at the same time their business scale, structure and business operation are highly complex and have strong relevance to other financial institutions
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks
"Track Record Period"	the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States of America
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited

"Wuliangye Group"	Sichuan Yibin Wuliangye Co., Ltd. (四川省宜賓五糧液集團有限公司), a company established on August 12, 1998 in the PRC with limited liability and a shareholder of our Bank
"Yibin Xingyi Rural Bank"	Yibin Xingyi Rural Bank Co., Ltd. (宜賓興宜村鎮銀行有限責任公司), a company established on December 24, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless the context otherwise requires, the terms including "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "core connected person(s)" and "substantial shareholder(s)" shall have the meanings ascribed to them under the Listing Rules.

For the ease of reference, in this Prospectus, unless otherwise indicated, we use the terms "gross loans and advances to customers", "loans" and "loans to customers" synonymously.

For the purpose of this Prospectus, "average balance" refers to the daily average balance.

If there are any inconsistencies between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.

This Prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section.

An investment in our Offer Shares involves significant risks. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Offer Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Offer Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this Prospectus.

RISKS RELATING TO OUR BUSINESS

We generated a substantial portion of our operating income from Yibin. As such, we face uncertainties associated with local economic growth and changes in local government policies and measures.

Our business and operations are primarily concentrated in Yibin. We are headquartered in Yibin and operated 34 sub-branches in Yibin as of the Latest Practicable Date. We have additionally established two rural bank, namely, the Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank, in Neijiang and Yibin, respectively, as of the same date. As of December 31, 2021, 2022, 2023 and June 30, 2024, 52.8%, 58.7%, 62.7% and 63.5% of our gross corporate and personal loans was disbursed to customers in Yibin, respectively. See "Business – Our Principal Business Lines" and "Business – Service Network – Branch Network and Self-service Banking Facilities." Accordingly, our continued growth depends largely on the sustained economic growth of Sichuan Province, particularly Yibin. Any adverse change in the local economic development, including Yibin's key industries of Baijiu, power battery, silicon photovoltaics and digital economy sectors being affected by any economy downturn or policy shifts, any significant natural disaster or catastrophic event occurring in Sichuan Province or Yibin, or any material adverse change in financial condition of our customers in this region or any party to whom they provide guarantees may materially and adversely affect our business, financial condition and results of operations.

In addition, we are exposed to risks associated with local governmental policies and measures. Any changes in local regulations and policies would entail adjustments in our operations and risk management practices and lead to additional compliance costs. Any shift in the focus of local government to certain industries or sectors may affect the demand for financial services in those areas, necessitating reevaluation of our loan portfolios and investment strategies to align with these changing priorities, which could require us to reassess risk exposures or reallocate resources. In addition, any changes in local fiscal policy, such as tax incentives or subsidies, can influence the financial performance of businesses within the region, which could in turn affect our credit risks assessment practices. Accordingly, if we fail to closely monitor policy developments, maintain a diversified loan portfolio, or make timely adjustments to our risk management system or business strategies, our business, financial condition and results of operations may be materially and adversely affected.

If we are unable to effectively maintain and improve the quality and growth of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected.

Our financial condition and results of operations are affected by our ability to maintain or improve the quality and growth of our loan portfolio. We provide both corporate loans to enterprises and institutions, as well as personal loans to individual customers to meet their diverse financing needs for personal and business purposes. As of December 31, 2021, 2022, 2023 and June 30, 2024, our total corporate loans amounted to RMB28,037.8 million, RMB34,485.5 million, RMB39,162.2 million and RMB41,905.5 million, respectively, while our total personal loans amounted to RMB5,712.7 million, RMB5,012.6 million, RMB4,917.1 million and RMB4,911.0 million, respectively. See "Business – Our Principal Business Lines." Based on our loan aging analysis, the majority of our loans during the Track Record Period consisted of current loans that were not past due, representing 96.5%, 98.0%, 98.3%, and 97.6% of our gross loans and advances as of December 31, 2021, 2022, 2023, and June 30, 2024, respectively. For loans that were past due, those past due for up to 90 days accounted for 1.4%, 0.9%, 0.4%, and 1.0% of our gross loans and advances as of the same respective dates. See "Assets and Liabilities – Assets – Asset Quality of Our Loan Portfolio."

We have adopted measures to control the risk exposure associated with our loan portfolio, including pre-loan investigations, pre-loan review, credit approval, loan issuance management, post-disbursement management and non-performing asset management. See "Risk Management – Credit Risk Management." However, deterioration in the overall quality and slowdown in the growth of our loan portfolio may occur due to a variety of reasons beyond our control, including a slowdown of the overall or regional economy, changes in supportive governmental policies and regulations favoring certain regions and industries, or unforeseen events such as catastrophes that interrupt normal business operations. Such circumstances may adversely affect our customers' businesses, results of operations and repayment capabilities.

Moreover, the outbreak of the COVID-19 pandemic since December 2019 has impacted our business to some extent. For instance, in compliance with local pandemic prevention and control protocols, 38 of our sub-branches temporarily suspended operations in September 2022. To mitigate the pandemic's impact and sustain business continuity, we have implemented a series of measures, such as promoting the use of electronic banking channels, online services and home visits to guarantee uninterrupted financial services and cater to our customers' financial requirements. See "Summary – Impact of the COVID-19 Pandemic." We provided "anti-pandemic loans (戰疫貸)" and "stabilizing loans (穩保貸)" with preferential interest rates to enterprises and individuals affected by the pandemic. Furthermore, we established a "green channel" to expedite the credit approval process for essential enterprises engaged in epidemic prevention and control, particularly those providing health, pharmaceutical products and food supply. This initiative aligns with government measures designed to support those impacted by the pandemic. See "Business – Environmental, Social and Corporate

Governance – Social Responsibility – Policy Lending." In 2020, we disbursed anti-pandemic loans with principal amount of RMB309.6 million, as well as stabilizing loans with principal amount of RMB261.0 million. Since January 1, 2021, we ceased granting anti-pandemic and stabilizing loans. As of June 30, 2024, all anti-pandemic loans had been settled with no balance. As of the same date, we had recovered RMB254.4 million and written off RMB4.7 million of the stabilizing loans disbursed, leaving a balance of RMB1.9 million, which represented a small portion of all such loans extended since its inception. All balance of the stabilizing loans as of June 30, 2024 had been downgraded to NPLs, for which we had made an ECL allowance of RMB0.87 million. In addition, during the Track Report Period, we disbursed loans with principal amount of RMB165.5 million to these essential enterprises through the green channel. Since January 1, 2023, we ceased granting loans through the green channel. As of June 30, 2024, we had recovered RMB150.5 million and the balance for loans granted through the green channel was RMB15.0 million, all of which were classified as normal in the five-level loan classification system. As a result of these loan disbursements, we may encounter difficulties recovering the loans or realizing the value of our collateral or guarantees securing the loans, leading to potential increase in our non-performing loans, ECL allowance, and/or loans written off due to impairment. As of December 31, 2021, 2022, 2023 and June 30, 2024, our non-performing loans were RMB804.2 million, RMB772.5 million, RMB903.9 million and RMB944.0 million, respectively, representing a non-performing loan ratio of 2.27%, 1.77%, 1.76% and 1.72% as of the same dates, respectively. On the grounds that (i) the loans granted with a preferential interest rate and through the green channel constituted a relatively minor portion of our gross loans and advances to customers during the Track Record Period; (ii) the NPLs resulting from loans with preferential interest rates were insignificant, and adequate provisions were made for such NPLs; and (iii) no NPLs resulted from the extension of loans through the green channel, our Directors are of the view that the policy lending did not have any material adverse impact on our loan portfolio, asset quality, loan recoverability, financial results or business operations. See "Assets and Liabilities – Assets – Asset Quality of Our Loan Portfolio" for details on asset quality of our loan portfolio.

Further, we have disposed of certain non-performing assets by way of sale, auction and transfer in accordance with our liquidity management and risk management policies. See "Assets and Liabilities – Assets – Asset Quality of Our Loan Portfolio – Changes in Asset Quality of Our Loans and Advances to Customers." However, there is no guarantee that we will be able to consistently dispose of, or transfer, our non-performing assets. Any deterioration in our asset quality or slowdown in the growth of our loan portfolio may materially and adversely affect our business, financial condition and results of operations.

We face increasingly intense competition in China's banking industry.

Driven by general economic growth, evolving regulation and supervision environment, ongoing interest rate liberalization reform and opportunities arising from financial technology, the banking industry in China is becoming increasingly competitive. We face competition in all of our principal lines of business from commercial banks with operations in Sichuan, including local branches of large commercial banks and nationwide joint-stock commercial banks and other banks. See "Industry Overview – Banking Industry." In particular, we may face intensified competition with other financial institutions in providing products and services to small and micro enterprises, in light of a discernible shift in focus of large commercial banks and nationwide joint-stock commercial banks towards catering to small and micro enterprises. See "Industry Overview – Industry Trends and Business Drivers." Some commercial banks with a larger operational scale may have better resources in terms of capital bases, branch networks, customer bases, technology and access to funding, which confer them with enhanced competitive advantages in comparison with city commercial banks like us. If we fail to compete effectively, our market share could decline and our business, financial condition and results of operations could be adversely affected.

We are exposed to risks arising from loans granted to small and micro enterprises and individual business owners.

As a city commercial bank in Sichuan, we provide tailored financial services to small and micro enterprises and individual business owners, which we believe forms an integral part of our loan portfolio. We have increased our utilization of low-cost funds acquired from the PBoC and policy banks via the relending mechanism, specifically to support small and micro enterprises. We have allocated these funds as preferential loans to eligible businesses in accordance with relending policies, aiming to alleviate their financing difficulties and reduce their financing costs. Consequently, our balance of relending funds for small and micro enterprises has increased from approximately RMB1.0 billion as of December 31, 2021 to approximately RMB1.9 billion as of June 30, 2024. As of December 31, 2021, 2022, 2023 and June 30, 2024, our loans to small and micro enterprises were RMB18,656.4 million, RMB24,639.0 million, RMB29,450.4 million and RMB31,617.5 million, respectively, and our personal business loans were RMB2,892.2 million, RMB2,143.6 million, RMB2,121.4 million and RMB2,029.6 million, respectively.

However, small and micro enterprises and individual business owners may be more susceptible to macroeconomic changes in comparison to larger enterprises due to a potential lack of financial, management or other resources to withstand the negative effects brought by a slowdown in economic growth or regulatory changes. Economic downturns, policy shifts, and market volatility can negatively impact their financial stability, leading to increased default rates. Moreover, due to their relatively limited operating history in general, it may be difficult to collect all the necessary information required to assess their credit risks, especially information regarding their credit history. This information gap can lead to suboptimal lending decisions, elevating the risk of loan defaults and financial losses. For example, we downgraded loans to a corporate borrower engaged in finance leasing in 2023, whose business operation was adversely affected by the market condition. In the event of significant defaults on the part of small and enterprises and individual business owners due to economic downturns, epidemic outbreaks, regulatory changes, market volatility or other unforeseen events, our asset quality, business, financial condition and results of operations may be adversely affected.

We engage in offsite lending, and face risks associated with geographic expansion. Any failure to navigate the complexities and potential financial repercussions inherent in offsite lending activities could adversely affect our operational and financial performance.

We engage in offsite lending, which presents challenges due to its extensive geographical scope, including information asymmetry and an increased risk of loan defaults. Our access to borrowers' background information may be limited, resulting in inadequate analysis of their business conditions, development trends, and industry standings across various regions. This could lead to high loan concentration and excessive financing in offsite locations, ultimately impairing our loan quality. For example, the NPL ratio of our corporate and personal loans to customers in Beijing was significantly higher as of December 31, 2021 and 2023 and as of June 30, 2024, primarily attributable to borrowers whose business operations were adversely affected by working capital shortfall and market condition, respectively. These challenges, coupled with the need to navigate diverse regulatory environments, credit risks, market volatility, and operational difficulties, necessitate more stringent post-loan management. Any failure to effectively navigate the complexities and potential financial repercussions inherent in offsite lending activities could adversely affect our operational and financial performance.

Traditional banking institutions may face intensified challenges from market players including Internet finance companies.

Traditional banking institutions are increasingly facing intensified challenges brought about by the rapid growth and evolution of Internet finance. The emergence of Internet finance companies, including digital banks, fintech companies, and other non-traditional financial service providers, has changed banks' traditional business models, creating a highly competitive environment. Internet finance companies may use advanced technologies such as artificial intelligence, blockchain, and big data analytics to enhance customer experience, streamline operations and offer personalized financial solutions. This technological edge may attract customers away from traditional banks, which may struggle to adapt quickly due to legacy systems and processes. At present, the major financial services provided by China's Internet-based financial service providers primarily include online personal loans, third-party online and mobile payment, as well as online and mobile wealth management. In particular, the advent of Internet finance presents intensified challenges to commercial banks, particularly impacting their business with small and micro enterprises and retail banking. Internet finance platforms, leveraging advanced technology and user-friendly interfaces, offer quick and efficient services, potentially drawing customers away from traditional banks. These platforms often have less stringent loan approval requirements, making financing more accessible for small and micro enterprises, which could diminish the customer base of city commercial banks.

Furthermore, the use of big data analytics by these platforms enables more accurate credit risk assessments, potentially leading to more competitive pricing strategies. Additionally, the lower operational costs of Internet finance platforms allow them to offer competitive rates and fees, potentially eroding the profitability of traditional banks.

In addition, various funds and Internet wealth management products have developed rapidly, which may result in outflows of a large amount of saving deposits from commercial banks and then the return of these amounts to commercial banks in the form of interbank deposits. As a result, commercial banks like us may experience significantly increased funding costs and narrowed interest margins, and therefore reduced profitability. With the further development of the Internet, many non-banking financial institutions have started to distribute financial products on Internet platforms, which has affected commercial banks' fee income for agency services.

Additionally, the shift towards Internet finance requires traditional banks to invest heavily in digital transformation, including the development of new technologies, enhancement of cybersecurity measures, and training of staff, which could lead to increased operational costs. Failure to effectively compete with these Internet finance entities or to successfully adapt to the evolving digital transformation could adversely affect customer loyalty and retention, and consequently our market position, financial condition and results of operations.

Our historical results of operations may not be indicative of our future performance.

We experienced rapid growth during the Track Record Period. Our operating income increased by 15.2% from RMB1,620.8 million in 2021 to RMB1,867.0 million in 2022, and further increased by 16.2% to RMB2,169.8 million in 2023. Our operating income remained relatively stable at RMB1,075.9 million and RMB1,078.0 million in the six months ended June 30, 2023 and 2024, respectively. In addition, our total assets increased by 17.4% from RMB68,490.4 million as of December 31, 2021 to RMB80,413.3 million as of December 31, 2022, then increased by 16.2% to RMB93,444.0 million as of December 31, 2023, and further increased by 7.2% to RMB100,192.8 million as of June 30, 2024. See "Financial Information – Selected Financial Data." However, our historical results may not be indicative of our future performance. Our future results of operations may change materially for various reasons beyond our control, such as changes in economic environment and the competitive landscape of the banking industry. In addition, while we seek to continue broaden our customer outreach, invest in financial technology and promote business transformation, our growth strategies may not succeed in light of the shifting customer preference and the competitive environment within the banking industry in China. See "Business – Our Development Strategies" for our specific growth strategies. Investors should therefore be cautioned not to put undue reliance on our historical results of operations as indicators of our future performance.

The collateral or guarantees securing our loans to customers may not be sufficient or fully realizable.

We provide loans secured by both traditional forms of pledges, collaterals and guarantees such as real estate, machinery and equipment, land use rights and equity and debt securities, as well as innovative forms such as company products or intangible assets. For example, our featured loan products such as Cellar Loans support accessible and affordable guarantee methods, enabling Baijiu enterprises obtain financing with cellar or base liquor as the collateral. Our tailored loan products for technology enterprises can be secured by intellectual property collateral, equity pledge and pledge of accounts receivable, enabling technology-oriented enterprises to leverage their intangible assets for financing. As of December 31, 2021, 2022, 2023 and June 30, 2024, approximately 94.4%, 97.0%, 97.2% and 96.7% of our corporate and personal loans were secured, respectively.

The value of the collateral and pledges securing our loans may fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the economic or industry development, as well as the commercialization abilities of companies that use their uncommercialized products or intangible assets to secure loans. In addition, we cannot assure you that our evaluation of the value of collateral or pledges will always be accurate. If the value of collateral or pledges become insufficient to cover the principal of and interest on the loans, we may not be able to recover the full amount of our loans if the borrower defaults. In addition, for the loans involving co-guarantors, we cannot guarantee that financial capacities of our customers and their co-guarantors will remain stable. If their income, assets, liabilities and overall stability deteriorate, we may not be able to recover the full amount of our loans if the borrower defaults.

In addition, the procedures for liquidating or otherwise realizing the value of collateral or pledges may be time-consuming, the value of collateral or pledges may not be fully realized, and it may be difficult to enforce claims in respect of such collateral or pledges. Under certain circumstances, other claims may be senior or prior to our claims on the collateral or pledges securing our loans. All of the foregoing events could adversely affect our ability to realize the value of collateral or pledges securing our loans. Furthermore, we are subject to the risk that a court or any other judicial or government authority may be unable to enforce such guarantee due to lack of enforceable assets. The factors resulting in the inability of such borrowers to fulfill their payment obligations could also lead to the deterioration in the financial condition of the guarantors and, therefore, could expose us to risks of default on the guarantee obligations.

If we fail to fully comply with various regulatory requirements applicable to us, our reputation could be harmed and our business, financial condition and results of operation could be adversely affected.

The banking industry in the PRC is highly regulated. We are subject to a wide spectrum of regulatory requirements and guidelines set forth by various PRC regulatory authorities, including PRC Commercial Banking Law, PRC PBoC Law and PRC Banking Supervision and

Regulatory Law, and relevant regulations, rules and normative documents established thereunder. In particular, we are required to comply with a number of regulatory indicators. See "Regulatory Overview." We may be subject to more stringent compliance requirements and may incur additional costs in the future if there is any change to the existing requirements thereof. Failure to comply with any applicable legal requirements may subject us to inspections, fines and penalties imposed by competent authorities, as well as reputation damages. Accordingly, any failure to continuously monitor relevant regulatory changes and timely update our internal policies to comply with evolving laws and regulations may adversely affect our business, financial condition and results of operations.

In addition, we are required to make contributions to social insurance and housing provident funds for our employees under applicable PRC laws and regulations. As the laws and policies related to social insurance and housing provident fund may continue to evolve, we cannot assure you that our employment policies and practices will always be regarded as fully complying with the relevant laws and regulations in China, and we may face labor disputes or investigations by competent authorities. We cannot guarantee that the amount of social insurance and housing provident contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfall or be subject to any penalties or fines, any of which may have an adverse effect on our business and results of operations.

We may be involved in legal and other disputes from time to time arising out of our operations.

We may be involved in legal and other disputes from time to time for a variety of reasons, which are generally for loan collection purposes or other claims arising out of our ordinary daily operations. See "Business – Legal and Regulatory Matters – Legal Proceedings." We cannot guarantee that the outcome in any of the legal proceedings in which we are involved in the future would be favorable to us. The involvement in any major legal disputes would result in damage to our reputation, additional operational costs and a diversion of resources and management's attention.

Issues related to land use rights and building ownership may adversely affect our right to occupy and use certain properties.

As of the Latest Practicable Date, we owned 410 properties with an aggregate GFA of approximately 106,565 square meters. Among these properties, we had not obtained relevant title certificates for 228 properties with an aggregate GFA of approximately 61,786 square meters (accounting for approximately 58.0% of the aggregate GFA of our owned properties). We are subject to certain risks relating to such properties. See "Business – Properties – Owned Properties." While we strive to obtain relevant title certificates for these properties and had obtained certain written confirmations from competent authorities confirming our ownership and/or right to use certain of such properties, we may not be able to ultimately obtain these title certificates or land use right certificates, and our ownership and use of such properties may be affected.

In addition, as of the Latest Practicable Date, we leased 135 properties with an aggregate leased area of approximately 27,853 square meters, among which the lessor for 17 property had not provided to us the title certificate. We also face risks of fines with respect to 135 unregistered leased agreements for 135 leased properties. See "Business – Properties – Leased Properties." As such, we face uncertainties of our leases in such cases, and may incur additional relocation costs if our leases are challenged.

We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security, and may be exposed to risks relating to our management of the financial data of customers enrolled in our business and other personal or sensitive information.

We routinely receive, collect, generate, store, process, transmit and maintain financial data treatment records and other personal details of customers enrolled in our business, along with other personal or sensitive information. See "Business – Personal Data and Privacy Protection." As such, we are subject to the relevant data protection and privacy laws, directives regulations and standards that regulate the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the PRC and conduct our business, as well as contractual obligations. See "Regulatory Overview – Regulations on Internet Information Security and Privacy Protection." We have established a strict customer personal data protection policy and have implemented a series of internal control measures to preserve individual personal information and protect customer privacy. Failure to comply with any applicable cybersecurity and data privacy requirements may subject us to government enforcement actions and investigations, fines and penalties, as well as reputation damages. Accordingly, any failure to continuously monitor relevant regulatory changes and timely update our data protection and retention policies may adversely affect our business, financial condition and results of operations.

We are exposed to the risks associated with our rural banks.

We have established two rural banks, namely, the Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank, in Neijiang and Yibin, respectively, as of June 30, 2024. See "Business – Service Network – Rural Banks." Our rural banks primarily provide loans, deposit products and settlement services for corporate and retail banking customers, dedicated to promoting inclusive finance and providing specialized support for agriculture, rural areas and rural residents. Accordingly, we face risks associated with rural banks, including inherent risks in loans for agriculture, rural areas and rural residents, and risks from fluctuations in rural economic conditions. We may also be affected by the negative publicity on other unrelated rural banks with operating issues, which may adversely affect the public confidence and perception of rural banks in general, thereby impacting the results of operations of our rural banks.

In addition, our rural banks are independent legal entities regulated by the NAFR. See "Business – Service Network – Rural Banks." We cannot fully assure you that our risk management and internal control policies for rural banks would be sufficient to identify and address all potential risks in a timely manner, which would further adversely affect our business, financial condition and results of operations.

We rely on our customer deposits to fund our business and manage our liquidity, if we fail to maintain the growth rate of such deposits or such deposits decrease substantially, our liquidity, financial conditions and operating results could be materially and adversely affected.

Customer deposits remain our primary funding source. We rely on growth in customer deposits to expand our loan business and meet other liquidity needs. A decrease in customer deposits will reduce our funding sources, which, in turn, would affect our ability to extend new loans, while meeting capital and liquidity requirements. During the Track Record Period, our total customer deposit amounted to RMB48,342.7 million, RMB59,393.8 million, RMB71,439.1 million and RMB80,463.2 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. However, there are various factors affecting the growth of customer deposits, some of which are beyond our control, such as economic and political conditions, availability of alternative investment choices and changes in customers' preference for savings. In particular, we may not be able to attract or retain adequate corporate deposits if credit tightens in the future, which may result in increased corporate deposit withdrawals and weakened willingness and ability of corporates to place deposits. We cannot assure you that we will be able to maintain growth in our customer deposits at a pace that is sufficient to support our business.

In addition, the maturity dates of our liabilities did not match those of our assets. As of June 30, 2024, our demand deposits and time deposits due within one year amounted to RMB46,820.8 million in aggregate. As of the same date, our gross loans and advances to customers due within one year amounted to RMB26,506.2 million. Based on our experience, a major portion of our short-term customer deposits are rolled over upon maturity, and these deposits represent a relatively stable source of funding. However, due to the increased availability of wealth management products and other investment products on the PRC financial markets, as well as the financial disintermediation in recent years, certain customers may withdraw their deposits and invest in such alternative products.

If we are unable to maintain the growth rate of our customer deposits, or a substantial portion of our customers withdraw their demand deposits or do not roll over their time deposits upon maturity, our ability to meet capital and other liquidity requirements may be materially and adversely affected, and, as a result, we may need to seek funding from alternative sources, which may not be available on reasonable terms, or at all. Therefore, our business, financial condition and results of operations may be materially and adversely affected.

Our ECL allowance on loans and advances to customers may not be sufficient to cover actual losses on our assets in the future.

As of December 31, 2021, 2022, 2023 and June 30, 2024, our gross loans and advances to customers amounted to RMB35,432.7 million, RMB43,666.5 million, RMB51,391.5 million and RMB54,820.3 million, respectively. As of December 31, 2021, 2022 and 2023, our ECL allowance of loans and advances to customers was RMB1,595.1 million, RMB1,648.6 million, RMB2,368.3 million and RMB2,407.2 million, respectively, while our allowance coverage ratio was 198.35%, 213.40%, 262.02% and 254.97% as of the same dates, respectively. Our allowance to gross loan ratio for our loans to customers was 4.50%, 3.78%, 4.61% and 4.39%, respectively, as of the same dates. We classify our loans using a five-level loan risk classification system in accordance with the guidelines set forth by the NAFR, and determine a level of allowance for expected credit losses in accordance with the requirements of IFRS 9. See "Assets and Liabilities – Assets – ECL Allowance on Loans and Advances to Customers." Our loan classification and ECL allowance policies may be different in certain respects from those for banks incorporated in certain other countries or regions. As a result, our loan classification and our allowance for expected credit losses, as determined under our loan classification and ECL allowance policies, may differ from those reported in those countries or regions.

We are exposed to risks associated with any significant or protracted adjustment in, or change in policies adversely affecting, the real estate market in China.

We are exposed to real estate market related risks, primarily from (i) our residential mortgage loans, as corporate loans to enterprises in the real estate industry, including real estate developers and real-estate brokerage companies, and other loans secured by real estate; and (ii) our investment in debt securities issued by companies in the real estate industry. The real estate industry includes real estate development and operation, property management, real estate agency services and real estate leasing operations, among others. Specifically,

(i) As of December 31, 2021, 2022, 2023 and June 30, 2024, our residential mortgage loans amounted to RMB2,232.5 million, RMB2,072.5 million, RMB1,944.1 million and RMB1,841.6 million, respectively, representing 39.1%, 41.3%, 39.5% and 37.5% of our total personal loans as of the same respective dates, and accounting for 6.3%, 4.7%, 3.8% and 3.4% of our gross loans and advances to customers as of the same respective dates. The NPL of our residential mortgage loans was RMB4.9 million, RMB42.7 million, RMB54.1 million and RMB61.6 million as of the same respective dates, accounting for 0.22%, 2.06%, 2.78% and 3.34% of our total residential mortgage loans, respectively. The increase of such NPL during the Track Record Period was primarily attributed to the influence of general economic conditions and real estate market risks on individual solvency.

(ii) As of December 31, 2021, 2022, 2023 and June 30, 2024, our corporate loans to the real estate industry amounted to RMB1,061.2 million, RMB1,575.1 million, RMB2,008.2 million and RMB2,125.2 million, respectively, representing 3.8%, 4.6%, 5.1% and 5.1% of our total corporate loans as of the same respective dates, and accounting for 3.0%, 3.6%, 3.9% and 3.9% of our gross loans and advances to customers as of the same respective dates. The NPL of our corporate loans to the real estate industry were

RMB15.1 million, RMB15.1 million, RMB15.4 million and RMB16.2 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively, representing an NPL ratio of 1.42%, 0.96%, 0.77% and 0.76% as of the same respective dates. As of December 31, 2021 and 2022 amount remained the same. The NPL increased as of December 31, 2023 and as of June 30, 2024, primarily because the relevant borrowers, who are property companies, experienced operational challenges.

(iii) As of December 31, 2021, 2022, 2023 and June 30, 2024, our other loans secured by real estate amounted to RMB10,494.6 million, RMB10,519.7 million, RMB9,425.2 million and RMB9,924.5 million, respectively, representing 29.6%, 24.1%, 18.3% and 18.1% of our gross loans and advances to customers as of the same respective dates. The NPL of our other loans secured by real estate was RMB253.9 million, RMB262.3 million, RMB393.8 million and RMB280.0 million, respectively, representing an NPL ratio of 2.42%, 2.49%, 4.18% and 2.82% as of the same respective dates, while the NPL ratio of our gross loans and advances to customers was 2.27%, 1.77%, 1.76% and 1.72%, respectively, as of the same respective dates. During the Track Record Period, the majority of the NPL results from loans to SMEs and individual business owners, and the increase of NPL ratio during the Track Record Period was primarily due to such entities being more susceptible to the impact of the macroeconomic changes. See "– We are exposed to risks arising from loans granted to small and micro enterprises and individual business owners."

(iv) As of December 31, 2021, 2022, 2023 and June 30, 2024, our total investments in the real estate industry, which were all related to investments in debt securities issued by companies in the real estate industry, amounted to RMB134.7 million, RMB45.2 million, RMB179.9 million and nil, respectively, accounting for 0.6%, 0.2%, 0.6% and nil of our total financial investments, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, the book value of defaulted debt securities issued by companies in the real estate industry was nil, RMB24.7 million, RMB19.2 million and nil, accounting for nil, 0.1%, 0.1% and nil of our total financial investments as of the same dates, respectively.

The table below sets forth the amount of loans written off for residential mortgage loans, corporate loans to the real estate industry and other loans secured by real estate in 2021, 2022, 2023 and the six months ended June 30, 2024:

	Years ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
Residential mortgage loans	–	0.2	0.6	0.7
Corporate loans to the real estate industry	–	–	–	–
Other loans secured by real estate	148.9	150.7	108.7	219.6
Total	148.9	150.9	109.3	220.3

Our exposure to credit and investments related to the real estate sector makes us susceptible to uncertainties and risks arising from significant or prolonged downturns in the real estate market. There has been raised concerns with respect to the asset quality of the real estate sector in the banking industry due to potential risks associated with elevated levels of real estate-related loans. As of December 31, 2023, the total outstanding real estate loans in the PRC financial institutions reached approximately RMB52.6 trillion, accounting for 21.7% of the aggregate loans of financial institutions as of the same date. This represents a year-on-year decrease of 1.0% as of December 31, 2023 as compared to December 31, 2022. According to PBoC, as of June 30, 2024, the total outstanding real estate loans in the PRC financial institutions increased by 1.0% to approximately RMB53.1 trillion from approximately RMB52.6 trillion as of December 31, 2023, which accounted for 21.2% of the aggregate loans of financial institutions as of June 30, 2024. Additionally, the year-on-year growth rate of total real estate-related loans as of December 31, 2023 was 2.5% lower than that as of December 31, 2022, primarily due to the decrease of residential mortgage loans. The growth rate of total real estate-related loans as of June 30, 2024 was 0.04% higher than that as of December 31, 2023. Any significant or prolonged downturns in the real estate market may result in decreased demand for our real estate-related products and negatively impact the quality of our assets.

Additionally, increased scrutiny or additional requirements for banking services related to the real estate market may lead to higher compliance costs and/or adjustments in our risk management procedures and policies, further adversely affecting our financial performance and results of operations. For example, as part of the measures to manage banking and financial institutions' risk exposure to real estate loans, the PBoC and the former CBIRC issued the Notice on Establishing a Management System for Concentration of Real Estate Loans by Banking Financial Institutions (《中國人民銀行中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) (the "Notice") on December 28, 2020, stipulating that the proportion of outstanding real estate loans to total outstanding loans in RMB of banking and financial institutions, as well as the proportion of outstanding individual housing loans to total outstanding loans in RMB of those institutions, must not exceed the upper limits for real estate loan ratio and individual housing loan ratio set by the PBoC and the former CBIRC.

Our asset quality, financial condition or results of operations may be materially and adversely affected if the repayment ability of LGFVs deteriorates or the government policies affecting LGFVs change.

Similar to other commercial banks in the PRC, we have extended loans to LGFVs during the Track Record Period. LGFVs are typically economic entities with independent legal capacity established by local governments or other departments and institutions which, through fiscal allocation or injection of assets such as land and equity, are responsible for financing government-sponsored projects. Such LGFVs typically use loan proceeds to make investments in infrastructure or industrial zone construction, renovation of old districts, or development of public interest projects. The loans to LGFVs are typically repaid with funds sourced from operating cash flows generated from the relevant projects and the local government budget revenue. Our loans to LGFVs primarily include our loans to the LGFVs and our loans to projects where the governmental and social capital cooperate. As of December 31, 2021, 2022, 2023 and June 30, 2024, the balance of loans we granted to LGFVs was RMB774.5 million, RMB914.6 million, RMB678.5 million and RMB678.5 million, respectively, representing 2.2%, 2.1%, 1.3% and 1.2% of our gross loans and advances to customers as of the same respective dates. A majority of our loans to LGFVs are secured by collaterals such as accounts receivables, fee rights and equity pledges. As of June 30, 2024, none of our loans to LGFVs was classified as non-performing.

Pursuant to the applicable PRC regulations, unless otherwise provided by the laws and the State Council, local governments and their departments or organizations and institutions funded primarily by fiscal budget are not permitted to, directly or indirectly, provide guarantees for the financing activities of LGFVs by using either fiscal income or state-owned assets or in other ways. In addition, many projects sponsored by LGFVs are carried out primarily for public interest purposes and are not necessarily driven by commercial purposes. Therefore, the operating cash flows generated from such projects may not be sufficient to cover the principal of and interest on the relevant loans. As a result, the ability of a LGFV to repay its loans may depend, to a significant extent, on its ability to receive financing support from the government, which may not always be available due to the government's liquidity, budgeting priorities and other considerations.

In general, any significant macroeconomic slowdown, unfavorable changes in national policies, the deterioration in the financial condition of local governments, significant decline in property prices or other external factors may undermine the repayment capabilities of relevant LGFVs, which may, in turn, adversely affect our asset quality, financial condition and results of operations. In recent years, under the influence of the financing environment, regional land market and the pressure of mature debts, the credit of LGFVs, including the urban investment enterprises, has continued to diverge, and the liquidity pressure of certain urban investment companies with less than ideal performance has increased, exacerbating the urgency for certain city commercial banks to replenish capital. Since 2010, the State Council, CBIRC and PBoC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and regulatory measures that instruct PRC banks and other financial institutions to strengthen their risk management measures regarding loans to LGFVs. For details on how we manage risks related to LGFVs, please see "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans – Credit Risk Management for Risk Exposure related to LGFVs." We cannot assure you that these measures are sufficient to protect us against losses in connection with default by LGFV borrowers, which may materially and adversely affect our asset quality, financial condition and results of operations.

We may be exposed to risks associated with our fee- and commission-based products and services.

We provide certain fee- and commission-based products and services for both corporate and retail banking customers, including entrusted loans and agency services. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had net fee and commission income of RMB32.7 million, RMB39.4 million, RMB43.9 million, RMB16.1 million and RMB36.9

million, respectively, accounting for 2.0%, 2.1%, 2.0%, 1.5% and 3.4% of our total operating income in each respective period. See "Business – Our Principal Business Lines." In particular, for certain fee- and commission-based products and services, we are not the principal issuer or borrower of relevant products, but act as the distributor of relevant products, or provide other services such as agency services. These products and services are also subject to inherent risks associated with financial performance or business operations of relevant issuers or owners of underlying assets, which can be affected by many factors beyond our control, including general economic conditions or proper compliance with laws and regulations by relevant third parties. For these products, we are not liable for any investment losses or defaults directly derived from them. However, we may still be subject to client complaints, negative news coverage and possible litigation which could have an adverse effect on our reputation, business, financial condition and results of operations.

We are subject to risks relating to wealth management products.

We issue wealth management products to our corporate and retail banking customers. In 2021, 2022, 2023 and the six months ended June 30, 2024, we sold wealth management products of RMB9,031.4 million, RMB7,872.3 million, RMB7,392.1 million and RMB4,515.9 million, respectively. Repayment of the principal and investment returns under the wealth management products we issued to our customers is based on the performance of the financial investment products we purchased using proceeds raised from such wealth management products.

As all of the wealth management products issued by us during the Track Record Period were non-principal protected, we were not liable for any loss suffered by the investors in these products. See "Business – Our Principal Business Lines – Retail Banking – Other Fee- and Commission-based Retail Banking Products and Services – Wealth Management Services." However, to the extent that the investors suffer losses on these wealth management products, our reputation may be adversely affected, and we may also suffer a loss of business and customer deposits. We may eventually bear relevant responsibilities for non-principal protected products if the investors bring lawsuits against us and the court rules that we are liable for inadequate disclosure.

Our credit exposure to counterparties in the interbank market business could subject us to losses.

We engage in interbank market transactions with licensed financial institutions. See "Business – Our Principal Business Lines – Financial Markets – Interbank Market Business." Our financial assets held under resale agreements, due from other banks and other financial institutions amounted to RMB4,118.1 million, RMB6,527.6 million, RMB5,600.6 million and RMB6,506.4 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. We are exposed to credit risks in our interbank business due to potential default by counterparties, which may be attributable to a broad range of factors beyond our control, including the adverse change of general economic or social conditions, liquidity crisis in the interbank market, or an increase in the credit risk, operational failure or bankruptcy of the relevant counterparties.

In addition, the financial soundness of commercial banks may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, negative publicity and public concerns over the liquidity of a commercial bank could adversely affect the banking industry and increase the perceived default risks associated with commercial banks. A rise in actual or perceived default risk in the interbank markets could have an adverse effect on our interbank and overall business. We cannot assure you that other commercial banks with whom we have interbank deposits will not experience credit change or other material credit risk incidents. A substantial liquidity event in the PRC interbank market may adversely affect our business, financial condition and results of operation.

We are subject to risks relating to our financial investments, including potential losses or decreased returns that may affect our results of operations.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the operating income generated from our financial markets business amounted to RMB67.1 million, RMB56.2 million, RMB106.1 million, RMB106.1 million and RMB83.9 million, respectively. Our financial investment business primarily consists of debt securities investment and SPV investment. Our debt securities investment mainly comprises investments in debt securities issued by the PRC government, PRC policy banks and China Development Bank, PRC commercial banks, enterprises in the PRC and PRC securities firms. Our SPV investment refers to the investment in financial assets through SPVs such as asset management plans, funds and wealth management products. As of December 31, 2021, 2022, 2023 and June 30, 2024, our debt securities investment amounted to RMB21,122.3 million, RMB23,527.2 million, RMB28,961.1 million and RMB32,372.1 million, respectively; whereas our SPV investment amounted to RMB559.4 million, RMB606.9 million, RMB1,001.8 million and RMB1,375.7 million, respectively. See "Business – Our Principal Business Lines – Financial Markets – Financial Investment Business." However, returns on our investment in securities and other financial assets and our profitability may be affected by changes in interest rates, foreign exchange rates, credit and liquidity conditions, asset values, regulatory policies and macroeconomic and geopolitical conditions. Any significant deterioration in one or more of these factors could reduce the value of, and the gains generated from, our investment securities and other financial assets in our portfolio and could have a material adverse effect on our business, financial condition and results of operations. Volatility in bond markets in the PRC may also affect our investment assets, especially our investments in debt securities. In particular, interest rates have an inverse relationship to the bond price, and the interest rate hikes in the future may result in decrease in the market value of our debt securities investment.

Our results of operations, financial condition and prospects may be affected by fair value changes of financial investments at fair value through profit or loss and financial investments through other comprehensive income, as well as valuation uncertainty due to the use of unobservable inputs.

Our financial investments measured at fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") are subject to various risks that could adversely affect our financial condition and results of operations. As of December 31, 2021, 2022, 2023 and June 30, 2024, we held financial investments at FVTPL of RMB4,513.5

million, RMB6,223.7 million, RMB6,268.8 million and RMB6,795.2 million, respectively; we additionally held financial investments at FVOCI of RMB11,759.0 million, RMB10,136.0 million, RMB15,945.9 million and RMB20,395.4 million, respectively. We recognize fair value changes directly in profit or loss for investments at FVTPL, and under other comprehensive income for investments at FVOCI. Our financial performance is affected by the changes in the fair value of our financial investments. Financial investments at FVTPL are marked to market, meaning their value is subject to fluctuations based on market conditions. These fluctuations could result in significant changes in the value of these investments, which could directly impact our profit or loss. Similarly, financial investments at FVOCI are also subject to market volatility. While changes in fair value do not directly affect profit or loss, they are recorded in other comprehensive income and can significantly impact our reported equity. Additionally, these investments are subject to interest rate risk. If interest rates rise, the fair value of these investments could decline, potentially resulting in an impairment loss.

Furthermore, the valuation of these investments involves significant judgement and estimation. Changes in the assumptions or estimates used could significantly affect the reported fair value of these investments. In particular, uncertainties in the valuation of these assets may arise due to the utilization of unobservable inputs. Valuations in subsequent periods, influenced by market conditions, could lead to negative fluctuations in fair values. Such changes may result in decreased reported shareholders' equity, book value per share, and net profit. Additionally, the eventual value obtained from the disposal of these investments might be lower than their present fair value.

There is no assurance that we can always obtain necessary or reliable data for the application of financial valuation models. Factors beyond our control, such as data loss due to economic development or the absence of market information for illiquid assets, could hinder accurate valuation. Consequently, we may need to rely on assumptions, judgments and estimates to establish fair value. Given the subjectivity and inherent uncertainty in such assumptions, actual outcomes might differ from our estimations. Any resulting impairments or write-downs could have significant adverse effects on our financial performance and prospects.

Furthermore, we determine the fair value of level 3 financial instruments based on valuation techniques and assumptions of unobservable inputs. Fluctuations in these unobservable inputs can impact the fair value of these financial instruments. Our fair value hierarchy prioritizes inputs to valuation techniques, with levels 1 and 2 relying on observable prices and inputs. However, instruments classified in level 3 of the hierarchy require significant inputs that are not observable. As of December 31, 2021, 2022, 2023 and June 30, 2024, our level 1 and level 2 financial assets in aggregate amounted to RMB17,928.7 million, RMB20,012.8 million, RMB29,197.9 million and RMB34,914.2 million, respectively, representing approximately 99.9%, 97.5%, 98.9% and 99.2% of our total financial assets measured at fair value as of the same respective dates. As of December 31, 2021, 2022 and 2023, our level 3 financial assets were RMB26.1 million, RMB515.5 million, RMB329.0 million and RMB280.2 million, respectively, representing approximately 0.1%, 2.5%, 1.1% and 0.8% of our total financial assets measured at fair value as of the same respective dates. For details of our significant unobservable inputs for financial instrument valuation and their sensitivity analysis, see Note 3.5(b) of Appendix I to this Prospectus. For instruments classified in level 3, our management's judgment incorporates macroeconomic factors, external appraiser valuation and loss coverage. These factors are beyond our control and may lack consistency. The subjective nature of this judgment process and its inherent limitations can affect accuracy. Inaccurate judgment and estimation could adversely affect the fair value of relevant financial instruments, impacting our financial condition and results of operations.

Our ECL allowance on financial investments may not be sufficient to fully cover the actual losses on such investment we may incur in the future.

As of December 31, 2021, 2022, 2023 and June 30, 2024, our net financial investments was RMB21,754.2 million, RMB24,167.3 million, RMB29,998.3 million and RMB33,781.5 million, respectively, representing 31.8%, 30.1%, 32.1% and 33.7% of our total assets as of the same respective dates. We assess ECL allowance on such investment in line with our applicable accounting policies and conduct periodic review and assessment in this respect. As of December 31, 2021, 2022, 2023 and June 30, 2024, our ECL allowance on financial investments was RMB14.2 million, RMB249.9 million, RMB306.1 million and RMB339.1 million, respectively.

Our management determines the amount of the ECL allowance based on applicable accounting policies and on our management's assessments of relevant factors, such as operational and financial conditions of counterparties, the realizable value of collateral, and the ability of the guarantors to fulfill their obligations, as well as the China's economic, legal, and regulatory environment. Under IFRS 9, our management is required to estimate on expected credit losses and the point at which there is a significant increase in credit risk based on available information that our management deems reasonable and applicable, all of which may involve difficult judgment. Many of these factors are beyond our control and our estimation is subjective in nature, and therefore is subject to inherent restrictions. See "Financial Information – Critical Accounting Policies, Judgments and Estimates – Measurement of Expected Credit Loss" for further details. There is no assurance that we can always make accurate assessment and expectation or the actual losses on such assets will not increase in the future compared with our expected credit losses. We also cannot assure you that the ECL allowance will be sufficient to cover all losses we may actually incur in the future. In the case that the losses exceed our expectation, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We are subject to risks relating to financial investments measured at amortized costs.

Our net financial investments at amortized cost comprised debt securities and debt financing instruments. As of December 31, 2021, 2022, 2023 and June 30, 2024, our net financial investments at amortized cost was RMB5,481.6 million, RMB7,807.5 million, RMB7,783.6 million and RMB6,590.9 million, representing 8.0%, 9.7%, 8.3% and 6.6% of our total assets as of the same respective dates. Our financial investments at amortized cost are subject to various risks, including risks arising from the potential inability of an issuer or counterparty to meet their contractual obligations, and the risk associated with our potential inability to easily liquidate our investments at amortized cost without a significant adverse impact on their prices. In times of market stress, the liquidity of these investments could decrease substantially, which could limit our ability to sell these investments and potentially lead to significant losses. While we have established risk management policies and procedures to manage these risks, there can be no assurance that such measures will always be effective. If we fail to effectively manage these risks, our business, financial condition and results of operations could be materially and adversely affected.

Our deferred tax assets may not be recovered.

As of December 31, 2021, 2022, 2023 and June 30, 2024, our deferred tax assets amounted to RMB928.7 million, RMB1,060.7 million, RMB1,114.6 million and RMB1,122.6 million, representing approximately 1.4%, 1.3%, 1.2% and 1.1% of our total assets. We periodically assess the probability of the realization of deferred tax assets, using accounting judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular. these deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, we cannot assure you that our expectation of future earnings will materialize, due to factors beyond our control such as general economic conditions negative development of a regulatory environment, in which case we may not be able to recover our deferred tax assets which in turn could have a material adverse effect on our financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties, and we may be subject to other operational risks.

We are exposed to fraud or other misconduct committed by our employees or third parties, which could subject us to financial losses, third-party claims, regulatory actions or reputational damage. During the Track Record Period, two of our former employees were subject to administrative penalties and/or other legal liabilities due to their own improper behavior. See "Business – Legal and Regulatory Matters – Employee Non-compliance." We cannot assure you that our internal control policies and procedures designed to enhance employee education and strengthen prevention and monitoring of employee misconduct can always prevent, or that we can otherwise fully detect or deter, all incidents of fraud and misconduct committed by our employees, such as corruption or misappropriation of funds. In addition, the improper or illegal activities of misconduct of our customers and other third parties with whom we have business relationships may damage our reputation or cause us to incur economic losses. As we have no control over these and other third parties, we cannot assure you that we can always effectively prevent or mitigate the negative impact their misconduct may cause on our reputation, business, financial condition or results of operations.

We may not be able to detect money laundering and other illegal or improper activities on a timely basis, or at all, which could expose us to reputational damages and additional legal or regulatory liability risks.

We are required to comply with the PRC laws and regulations concerning anti-money laundering and anti-terrorism, which require us to strictly enforce applicable policies and incorporate criteria for identifying large and suspicious transactions into our anti-money laundering monitoring and reporting system. We are also required to timely report large and suspicious transactions to the PRC Anti-Money Laundering Monitoring and Analyzing Center. See "Risk Management – Compliance Risk Management." Our policies and procedures designed to detect and prevent the use of our banking networks for money laundering activities and by terrorists and terrorist-related organizations and individuals may not completely eliminate the risk that third parties may use us to engage in money laundering and other illegal or improper activities due to its complexity. If we fail to fully comply with applicable PRC laws and regulations, or if our customers or any third party uses us for money laundering or other illegal or improper purposes, we may be subject to fines and other penalties.

We will be exposed to various risks as we expand the range of our products and services.

We will continue to expand our offerings of products and services to our customers in the future. Our expansion in our offerings of products and services has exposed, and will continue to expose us to new and potentially increasingly challenging market and operational risks, which may include:

- our experience and expertise in managing new products and services;
- our ability to recruit additional qualified staff;
- our ability to provide satisfactory customer services, such as providing sufficient products and service information and handling customer complaints;
- our ability to guide customers to accept new products;
- our ability to establish an effective management team or to enhance our risk management and information technology systems to support a broader range of products and services;
- our ability to identify and effectively manage all potential risks associated with our products and services; and
- our ability to react to the actions of our competitors and other financial service providers.

Moreover, if we are unable to obtain relevant regulatory approvals, or comply with relevant banking industry regulations in the sales and marketing of our new products and services, we may be subject to legal disputes, regulatory sanctions or investigations, which, in turn, could lead to significant financial losses and reputational damages.

We are subject to risks associated with off-balance sheet commitments.

We provide certain off-balance sheet commitments to our customers in the ordinary course of business, primarily consisting of letters of guarantee and bank acceptance. Such arrangements are not reflected on our balance sheet but constitute contingent assets or contingent liabilities. As of June 30, 2024, our off-balance sheet commitments totaled RMB7,548.8 million. See "Financial Information – Off-balance Sheet Commitments." We are subject to credit risks associated with these off-balance sheet commitments, and are required to provide funds when our customers are unable to perform their obligations. If we are unable to recover payment from our customers, our financial condition and results of operations may be materially and adversely affected.

The effectiveness of our credit risk management is affected by the quality and scope of information available in China.

The national credit information databases in China may not be able to provide complete credit information on certain credit applicants. Without complete, accurate and reliable information and until the full implementation and effective operation of comprehensive national credit databases with respect to corporate and individual borrowers, we have to rely on other publicly available information and our internal resources, which may not be effective in assessing the credit risk associated with a particular customer. Moreover, customary loan contracts in China may not contain the same types of financial and other covenants as other countries or regions, which would not allow us to effectively monitor changes to the credit standing of our customers in a timely manner. As a result, our ability to effectively manage our credit risk may be limited, which could materially and adversely affect our business, financial condition and results of operations.

Our current risk management systems may not adequately protect us against credit, market, liquidity, operational and other risks.

Our risk management capabilities are limited by the information, tools or technologies available to us. Our ability to successfully execute mechanisms and operate systems to strengthen our risk management capabilities and to monitor and analyze their effectiveness is subject to continuous testing and improvement. If we are not able to effectively improve our risk management and internal control policies, procedures and systems, or if we are not able to achieve the intended results of such policies, procedures or systems in a timely manner, our asset quality, business, financial condition or results of operations may be adversely affected.

Our business is dependent on the proper functioning and improvement of our information technology systems.

Our business relies on the secure and efficient operation of our information technology systems, which is essential to the sustainable development of our business and our ability to maintain competitiveness. See "Business – Digitalization." However, our information technology systems may encounter events beyond our control, including network breakdowns, software bugs, computer virus attacks, intrusion attacks or catastrophic incidents which could result in a partial or complete failure of our information technology systems and disrupt our business continuity. We cannot fully eliminate the possibility of being attacked, and our information system is not completely protected from damage. The occurrence of any of the above-mentioned risk events or safety intrusion incidents could interrupt our normal business operations.

In addition, our ability to remain competitive depends partially on our ability to upgrade our information technology systems in a cost-effective manner in order to address increasing market demand for financial products and services and evolving technology challenges. We engage certain third-party technology and service providers to assist in developing and maintaining certain information technology systems. In the event that these service providers fail to provide support service as usual, we may incur additional costs in replacing such providers and our normal business operations may be disrupted.

We may have difficulties in meeting capital adequacy and other regulatory requirements in the future.

We are subject to regulatory requirements with respect to capital adequacy. See "Regulatory Overview – Supervision Over Capital Adequacy." Calculated in accordance with the Capital Administrative Measures (Provisional), as of June 30, 2024, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 13.49%, 13.52% and 14.74%, respectively, all of which satisfied the requirements of the PRC banking regulatory authorities. The competent authority may further increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios, or we may otherwise be subject to new capital adequacy requirements. Such changes may adversely affect our financial condition and results of operations.

Our ability to meet capital adequacy requirement is affected by various factors, including our ability to generate sufficient capital internally, our ability to obtain additional capital, and our ability to dispose of foreclosed assets within the specified time as required by applicable regulatory requirements. If our growth places capital demands on us in excess of what we are able to generate internally or raise in the capital markets, we may need to seek additional capital through alternative means. However, we may not be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. Our ability to obtain additional capital may also be restricted by a number of factors, including our future business, financial condition, quality of assets, results of operations and cash flows prescribed by the PRC law and regulatory approvals, general market conditions for capital-raising activities, as well as economic, political and other conditions. Furthermore, as these capital adequacy requirements place restrictions on the ability of banks to leverage their capital to achieve growth in their loan portfolios, our compliance and capital costs as well as results of operations may be adversely affected, and our capacity to further grow our business may be constrained.

If at any time in the future we fail to meet these capital adequacy requirements, the competent authority may take a series of measures against us, including, for example, imposing restrictions on our lending and investment activities, declining our application to launch new businesses or restricting our ability to declare or pay dividends. Such measures may materially and adversely affect our business, financial condition and results of operations.

In addition, the relevant regulatory authorities implemented regulatory indicators and ratios higher than those stipulated in the relevant rules and regulations from time to time, and may continue to do so in the future. Such higher standards may be implemented in response to temporary or long-term changes in macroeconomic conditions or in support of existing or future government initiatives, and may not always be adequately anticipated. Our operational metrics and risk management structure are designed to comply with the regulatory indicators and requirements, and we may need to make operational or management changes to adapt to and comply with higher regulatory indicators and ratios when they come into effect. Such changes include, but not limited to, enhancement of risk control processes, increase in loan approval standards, and review any analysis of existing loan portfolio. We may also need to implement any necessary changes in the timeframe as stipulated by the relevant regulatory authorities and it may require significant financial and human resources for the compliance with such higher standards.

The payment of dividends is constrained by factors such as our financial condition and regulatory requirements.

Under PRC law and our Articles of Association, dividends may only be paid only out of distributable profits after the listing. Our profit distribution plan is subject to approval by a Shareholders' general meeting. In addition to the financial statements prepared in accordance with PRC accounting standards and regulations, we will also prepare financial statements in accordance with IFRS or the accounting standards of the jurisdiction in which we are listed. After the Listing, profit after tax available for distribution for a particular financial year shall be the lower of profit after tax as shown in the financial statements prepared under the accounting standards mentioned above. We are prohibited from paying dividends for a given year out of our profit after tax to our Shareholders in proportion to their respective shareholdings before making up any accumulated losses of previous years and making appropriations to the statutory surplus reserve and general reserve as well as discretionary reserve as approved by our Shareholders' meeting. As a result, we may not have distributable profits to make dividend distributions to our Shareholders, including in respect of periods where we have recorded an accounting profit. Any distributable profits not distributed in a given year may be retained and available for distribution in subsequent years. In addition, the former CBRC has discretion to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking laws and regulations. For details, see "Regulatory Overview – Supervision over Capital Adequacy."

Our business, financial condition and results of operations may be adversely affected by negative media coverage of us, our senior management or China's banking industry in general, even if such negative publicity is inaccurate, unsubstantiated or immaterial.

Our business reputation is crucial to our success. In recent years, incidents of fraud and issues in relation to non-performing loans, loan quality, capital adequacy, solvency, internal controls, and risk management in the banking industry have been reported by the media. Any negative media coverage about our industry or us, whether accurate or not, may have certain adverse effect on our reputation and will consequently undermine our customers' confidence. As a result, our business, financial condition, results of operations, prospects and the value of your investment may be adversely affected.

Our business depends on the continuing efforts of our key executives and certain other employees performing vital functions, and our business and growth prospects may compromise if we fail to retain or motivate them or recruit the right personnel for such responsibilities.

Our ability to maintain growth and meet our business targets to some extent depends upon the continued services of our senior management and other key personnel, including our Chairman Mr. Xue Feng, our President Mr. Yang Xingwang, as well as the distinguished members comprising our Board of Directors and Board of Supervisors. See "Business – Our Competitive Strengths – Experienced Management Team and Highly Skilled Workforce" and "Directors, Supervisors and Senior Management." We in particular depend on the senior management's and key personnel's industry experience, business operation experience and sales and marketing skills.

If one or more members of our management are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. Moreover, we may face increasing competition in recruiting and retaining experienced and qualified staff including senior management. We may incur additional expenses to recruit and retain qualified replacements. If we fail to recruit or retain a sufficient number of qualified staff with reasonable costs, our business, financial condition and results of operations may be adversely affected.

Shares held by certain Shareholders were pledged or frozen, which may lead to potential disputes.

As of the Latest Practicable Date, to the best knowledge of us, 241,257,325 Shares (representing approximately 6.19% of the share capital of us) held by four Shareholders were pledged, and 245,842,366 Shares (representing approximately 6.30% of the share capital of us) held by four Shareholders were frozen by several judicial bodies. See "History, Development and Corporate Structure – Our Shareholding and Group Structure." Our PRC Legal Advisors are of the view that the above pledge or freezing of Shares will not result in material change in the shareholding structure of the Bank or cause any substantial impediment to the Listing. However, there can be no assurance that there will not be any disputes regarding equity interests ownership in the future. Any of such disputes or objections may affect the stability of our shareholding structure and may result in negative publicity or reputational damages to us.

We have certain Shareholders that we have been unable to contact and register, which may lead to potential disputes.

As of the Latest Practicable Date, we were unable to verify the identity and shareholding of eight non-individual Shareholder and ten individual Shareholders, which held approximately 3.98% and 0.01% of the share capital of our Bank, respectively. See "History, Development and Corporate Structure – Our Shareholding and Group Structure." There can be no assurance that we will successfully contact and accurately record all holders of our Shares or all persons who are entitled to our Shares. We have entrusted the Shares held by all of our existing Shareholders, including such unidentifiable Shareholders, to Tianfu (Sichuan) United Equity Trading Center Co., Ltd. in compliance with the relevant requirements of Measures on Equity Entrustment of Commercial Banks (《商業銀行股權託管辦法》) promulgated by the NAFR, which is applicable to all commercial banks established in the PRC. Such entrustment arrangement is solely for regulatory requirements and does not impose any restriction on the Shareholders exercising their own shareholders' rights. See "Regulatory Overview – Equity and Shareholder Restrictions." We believe, and our PRC Legal Advisors are also of the view that, the proportion of unverified Shares is relatively small and does not constitute significant ownership controversy, dispute, or potential dispute over our Shares. However, there can be no assurance that there will not be any disputes regarding equity interests raised by Shareholders in the future. Any of such disputes or objections may result in negative publicity or reputational damages to us.

We face risks related to regulatory and public scrutiny on our third-party service providers. If such parties, their associates and/or network members are subject to regulatory or public scrutiny, such as investigations and negative publicity, our reputation, business and results of operations may be adversely affected.

We engage third-party service providers for certain professional services, such as audit and legal services. Our third-party service providers and/or their associates may, from time to time, be subject to regulatory and public scrutiny, which includes complaints to regulatory agencies, investigations, negative media coverage and malicious allegations. For example, a network firm of our Reporting Accountant has recently been the subject of investigations by the PRC authorities in respect of its audit work for a PRC company unrelated to our Group, as a result of which the PRC authorities imposed fines, sanctions and a six-month business suspension, as well as local office closure on the network firm. Our Reporting Accountant is also being investigated by the AFRC in Hong Kong for audit work for a related entity of the same PRC company, according to the press statement issued by the AFRC. As of the Latest

Practicable Date, the investigation was still in progress. We are monitoring this development to assess its potential impact, if any. We may consider taking specific measures, including, if deemed necessary, to engage a new auditor in the future.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or susceptible to epidemics, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and may disrupt our business and operations. Severe communicable disease outbreaks, such as the COVID-19 pandemic, could result in a widespread health crisis that could materially and adversely affect the economy and financial markets. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The PRC banking industry is highly regulated and we are susceptible to changes in laws, regulations, regulators and government policies relating to the PRC banking industry.

The PRC banking industry is highly regulated and our business could be directly affected by changes in laws and regulations, regulators and government policies relating to the PRC banking industry, such as those affecting the specific lines of business in which we operate, or the specific businesses for which we can charge fees, as well as changes in other governmental policies. We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include but are not limited to the PBoC, NAFR, MOF, NDRC, SAMR, SAT, CSRC, SAFE and their respective local outlets. Some of such regulatory authorities conduct periodic and ad hoc inspections, examinations and inquiries on our business operations and compliance with the laws, regulations and guidelines, and have the authority to impose sanctions, penalties or remediation actions. These laws, regulations and guidelines impose regulatory requirements on, among other things, banking products and services, market entry, opening of new outlets or institutions, tax and accounting policy and pricing. The NAFR, as the primary banking industry regulator, has promulgated a series of banking regulations and guidelines aiming at improving the operations and risk management of Chinese commercial banks.

Many of the policies, laws and regulations, regulators and government policies governing the banking industry or the interpretation thereof may change in the future, and we may not be able to adapt to such changes on a timely basis. For instance, in August 2015, PBoC eliminated the upper limit on interest rate for RMB-denominated time deposits with terms of over one year. In October 2015, the PBoC lifted the administrative control over deposit rates, allowing market-based pricing through the Market Interest Rate Pricing Self-discipline Mechanism. In addition, since 2017, the former CBIRC, together with its predecessor CBRC, has promulgated a series of rules and regulations to enhance the supervision and regulation on various business operations of banks, including the rules and regulations on entrusted loans and cooperation between banks and trust companies. These changes are expected to intensify competition among PRC commercial banks and could affect our results of operations by reducing our net interest income. In addition, in March 2023, the State Council Institutional Reform Proposal was adopted at the First Session of Fourteenth National People's Congress, which decided to establish the NAFR on the basis that the former CBIRC will not be retained. Failure to comply with new policies, laws and regulations may result in fines or restrictions on our business, which could materially and adversely affect our business, financial condition or results of operations.

Change in the PRC interbank market liquidity, volatility in interest rates could significantly increase our borrowing costs and materially and adversely affect our liquidity and financial condition.

We utilize short-term funding in the interbank market to satisfy some of our liquidity needs. As of December 31, 2021, 2022, 2023 and June 30, 2024, our deposits from other banks and financial institutions were RMB29.6 million, RMB132.3 million, RMB883.1 million and RMB1,159.1 million, respectively, and our financial assets sold under repurchase agreements were RMB4,261.6 million, RMB1,908.9 million, RMB2,527.1 million and RMB2,673.6 million, respectively. According to the Notice on Regulating the Interbank Business of Financial Institutions (關於規範金融機構同業業務的通知) jointly issued by the PBoC, the then CBRC, the CSRC, the then CIRC and the SAFE on April 24, 2014, the net balance of interbank lending of a commercial bank to a single incorporated financial institution, excluding interbank deposits for settlement purposes, after deducting assets with zero risk weight, shall not exceed 50% of its tier-one capital. The balance of interbank borrowing of a commercial bank shall not exceed one-third of its total liabilities. Subject to the aforementioned laws and regulations and other applicable requirements, we may not be able to acquire sufficient short-term funds from the interbank market at all times, and regulatory authorities may further impose restrictions on the interbank business and interbank borrowing, which may materially and adversely affect our liquidity and profitability.

In addition, any significant changes in the liquidity and interest rate in the PRC interbank market could have an impact on our financing costs. A market rate system based on SHIBOR has been developed for the PRC interbank market. However, we cannot assure you that SHIBOR interest rates could return to the normal range in the short term after irregular fluctuations in such rates in the future. Any significant volatility in interest rates on the interbank market may have a material and adverse effect on our cost of borrowing short-term funds and our liquidity. Further, severe volatility in market interest rates may also have a significant impact on the value of our assets. For example, a significant increase in market interest rates may lead to a significant decrease in the fair value of our debt securities, which will have a material and adverse effect on our financial condition and results of operations.

Further development of interest rate liberalization, PBoC's adjustments to the benchmark interest rate, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our business, financial condition and results of operations.

Similar to most PRC commercial banks, our results of operations depend, to a large extent, on our net interest income, which accounted for 85.3%, 93.9%, 82.3%, 80.2% and 76.8% of our operating income in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Our net interest income is sensitive to adjustments in the benchmark interest rates set by the PBoC. In recent years, the PBoC has adjusted the benchmark interest rates several times, and interest rates in China have been gradually liberalized since 2012. See "Regulatory Overview – Regulation on Principal Commercial Banking Activities." Adjustments by the PBoC to the benchmark interest rates on loans or deposits or changes in market interest rates may affect our financial condition and results of operations in different ways. For example, changes in the PBoC benchmark interest rates could affect the average yield on our interest-earning assets to a different extent than the average cost on our interest-bearing liabilities and, therefore, may narrow our net interest margin. Such a change would lead to a decrease in our net interest income, which, in turn, may materially and adversely affect our results of operations and financial condition. We cannot assure you that we will be able to promptly diversify our business, adjust the mix of our assets and liabilities and change our pricing to effectively respond to further liberalization of interest rates.

Interest rates in China have been gradually liberalized in recent years. Since June 8, 2012, PBoC has allowed financial institutions to increase the Renminbi deposit interest rate to 110% of the PBoC benchmark interest rate. On July 20, 2013, PBoC abolished the minimum interest rate for loans excluding residential mortgage loans, which was 70% of the benchmark interest rate, and allowed financial institutions to set lending rates based on commercial considerations. Furthermore, on November 22, 2014, PBoC permitted financial institutions to raise the Renminbi deposit interest rate up to 120% of the PBoC benchmark interest rate. The Renminbi deposit interest rate was raised again in March 1, 2015 and May 11, 2015 up to 130% and 150% of the PBoC benchmark interest rate, respectively. On August 26, 2015, the PBoC maintained the interest rate cap of Renminbi demand deposits and time deposits with maturity in less than one year. Then on October 24, 2015, PBoC announced that it would no longer set up a floating ceiling deposit interest rate for commercial banks, signifying the further liberalization of controls on interest rates. Furthermore, in August 2019, the PBoC announced to reform the mechanism used to establish the LPR. The new LPR quotations will be based on rates of open market operations and published on a monthly basis. According to the PBoC, commercial banks must set interest rates on new loans by mainly referring to the LPR and use LPR as the benchmark for setting floating loan interest rates. On the December 28, 2019, PBoC issued another announcement requiring financial institutions from March 1, 2020, to engage in negotiations with existing floating-rate loan clients to change the pricing benchmark, and shift from the original contractually stipulated pricing method to the use of LPR as the pricing benchmark and this transition process should be in principle be completed by August 31, 2020. On March 27, 2023, the PBoC lowered the statutory deposit reserve ratio by 25 basis points for all deposit-taking financial institutions, which lowered banks' funding costs and increased their liquidity. In addition, benefiting from the interest rate liberalization, the LPR maintained a downward trend during the Track Record Period and up to the Latest Practicable Date. Five-year LPR decreased from 4.65% as of January 1, 2021 to 3.60% as of the Latest Practicable Date, while one-year LPR decreased from 3.85% as of January 1, 2021 to 3.10% as of the Latest Practicable Date. For more information on the LPR reform, please see "Regulatory Overview – Pricing of Products and Services" and "Summary – Recent Development." Interest rate liberalization may intensify competition in the PRC banking industry, as PRC commercial banks may seek to make loans and take deposits with more attractive interest rates, which could narrow the net interest margin of PRC commercial banks, thereby materially and adversely affecting our results of operations. We cannot assure you that we will be able to promptly diversify our businesses, adjust the mix of our assets and liabilities and change our pricing to effectively respond to further liberalization of interest rates.

As a crucial step for liberalizing interest rates in the PRC, the Deposit Insurance Regulation was published on February 17, 2015 and came into effect on May 1, 2015. The Deposit Insurance Regulation requires that each depositor of a bankrupt bank could be reimbursed an amount up to RMB500,000. Banks are required to pay premiums for the deposit insurance program, which will increase our operating costs and may therefore adversely affect our financial condition and results of operations.

We also conduct trading and investment activities involving certain financial instruments. Our income generated from these activities is subject to volatility caused by, among other things, changes in interest rates and foreign exchange rates. For example, increases in interest rates generally cause the value of our debt securities portfolio to drop, which may materially and adversely affect our results of operations and financial condition. In addition, the derivatives market in China is still in the early stages of development. As a result, we may not be able to effectively hedge such market risks.

Shareholders of Chinese commercial banks are subject to stringent regulation by regulatory authorities, and certain shareholder rights may be restricted.

Shareholders of Chinese commercial banks are required to adhere to a range of regulations within the Chinese banking sector. For example, prior approval from the regulatory authorities for the PRC banking industry is required for any person or entity to hold 5% or more of the total capital or total shares of a commercial bank in China, unless otherwise required by the approval authorities. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining prior approval from the regulatory authorities for the PRC banking industry, such shareholder may be subject to sanctions by the regulatory authorities for the PRC banking industry, which include order to correct as well as confiscation of illegal gains or fines. In addition, under the PRC Corporate Law, we may not extend any loans that use our Shares as collateral. Furthermore, pursuant to the Governance Guidelines for Bancassurance Institutions (《銀行保險機構治理準則》) and our Articles of Association, a Shareholder must notify our Board of Directors before pledging our Shares as collateral for himself or others. In addition, Shareholders who have outstanding loans from us exceeding the audited net value of our Shares held by them at the end of the previous financial year are not permitted to pledge our Shares. Our Shareholders and our Directors designated by them are restricted from voting in Shareholders' general meetings and Board meetings, respectively, if such Shareholders fail to repay outstanding borrowings when due. Changes in shareholding restrictions imposed by the regulatory authorities or as provided for in our Articles of Association in the future may adversely affect the value of your investment.

According to relevant requirements of the Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》) promulgated by the then CBRC on January 5, 2018, no shareholder of a commercial bank may authorize any other person to or accept any other person's authorization to hold equity of a commercial bank; in the event that the shareholders of a commercial bank intend to transfer their equity therein, the shareholders shall inform the transferees to comply with the laws and regulations as well as requirements promulgated by the then CBRC; the same investor and its related parties and parties acting in concert shall comply with the shareholding percentage requirement of the then

CBRC, if they decide to invest in a commercial bank; if the then CBRC or its local offices take steps to control risks and take-overs due to material risk issues or material noncompliance of the commercial bank, shareholders shall actively cooperate with the then CBRC or its local offices to conduct risk controlling and other relevant actions.

In particular, this regulation sets out that the investor and its related parties and parties acting in concert shall apply for, and obtain the prior approval from the then CBRC or its local offices with authority, if, individually or collectively, (i) they intend to hold over 5% of the total equity interests of a commercial bank of China for the first time, and (ii) each time the equity interest they hold would increase by another 5% of the total equity interest of the relevant bank. Administrative approval in relation to holding of equity interest of commercial banks through stock market in China or overseas in this regard is only valid for six months. Furthermore, according to this regulation, financial products can invest in shares of listed commercial banks, subject to the restriction that the total number of shares being invested by financial products that are controlled by an individual investor, issuer, manager or their respective actual controllers, affiliates or parties acting in concert, shall not exceed 5% of relevant commercial banks. The substantial shareholder of a commercial bank shall not hold shares or equity of such commercial bank through financial products they issue, manage or control by any means. Changes in shareholding restrictions imposed by the regulatory authorities or as provided for in our Articles of Association in the future may adversely affect the value of your investment.

The applicable PRC regulations impose certain limitations on the products in which we may invest, and our ability to seek higher investment returns and diversify our investment portfolio is limited.

Investment by commercial banks in China is subject to a number of restrictions. The investment assets of PRC commercial banks traditionally consist primarily of debt securities issued by the MOF, the PBoC, PRC policy banks and China Development Bank, PRC commercial banks and corporates. In recent years, additional investment products have been introduced to the market, such as trust fund plans, asset management plans, wealth management products issued by financial institutions, investment funds, asset-backed securities and structural notes, as a result of changes to regulatory regimes and market conditions. However, investments in equity products by commercial banks are still subject to strict restrictions. Restrictions on the ability to diversify the investment portfolio of commercial banks in China, including us, may limit our ability to seek optimal returns.

RISKS RELATING TO THE PRC

China's economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business.

All of our business, assets and operations are located in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and industries by imposing industrial policies and regulates the PRC's macroeconomy through its fiscal and monetary policies.

Our performance has been and will continue to be affected by China's economy, which, in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments and many of these risks are beyond our control. All such factors may adversely affect our business and operations as well as our financial performance.

We may be subject to additional regulatory requirements as new laws and regulations in connection with overseas listing and offering and future capital raising activities are issued by the PRC governmental authorities.

PRC laws and regulations in relation to overseas issuance and listing of shares have been evolving. As a result, we may be required to make filings with or report to CSRC or other PRC regulatory authorities for our future capital raising activities. Any failure or perceived failure to make filing, report or comply with other applicable laws and regulations would have an adverse effect on our future capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "July 6 Opinion"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

To echo and reflect the July 6 Opinion, on February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Trial Measures") and their implementation guidelines. The Trial Measures, which came into effective on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. For more details, see "Regulatory Overview – Regulations Relating to Overseas Offering and Listing."

In addition, if the CSRC or other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this offering or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our Shares.

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this offering or future capital raising activities before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a joint stock company incorporated under the laws of the PRC with limited liability, and all of our assets are located in the PRC. In addition, substantially all of our Directors, Supervisors and senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors, Supervisors and senior management personnel, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. Under the 2006 Arrangement, a choice of court agreement in writing refers to an agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgment", "specific legal relationship" and "written form". A final judgment that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court and we cannot assure you that a final judgment that complies with the 2006 Arrangement can be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019 Arrangement**"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among other things. The effective date of the 2019 Arrangement has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

We are subject to regulatory requirements on currency conversion, and the fluctuation of the RMB exchange rate may adversely affect our business and our ability to pay dividends to holders of H shares.

All of our operating income is denominated in RMB, which is currently not a fully freely convertible currency. A portion of our operating incomes must be converted into other currencies in order to meet our foreign currency obligations. For instance, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements. We review the authenticity and compliance of such payment according to relevant regulations. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our holders of H Shares.

From time to time, the value of the RMB against the U.S. dollar and other currencies fluctuates, and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. The PRC government has since introduced further changes to the exchange rate system in 2012 and 2014. On August 11, 2015, PBoC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. With the development of foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system. It is difficult to predict how market forces or the PRC or U.S. governmental policies, including any US interest rate adjustments by the Federal Reserve of the United States, may impact the exchange rate between RMB and the U.S. dollar in the future.

As all of our operating income is denominated in Renminbi, and the proceeds from the Global Offering will be received in Hong Kong dollars, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other currencies may result in the decrease in the value of our foreign currency denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign exchange currency exposure at reasonable costs. We cannot assure you that we will be able to minimize or reduce our foreign currency risk exposure relating to our foreign currency denominated assets. Furthermore, we need to comply with the relevant procedures and requirements regarding foreign exchange before converting significant amounts of foreign currencies into Renminbi. All these factors could adversely affect our financial condition and results of operations.

Our operations are subject to and may be affected by changes in the PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities, and there is no assurance that any such examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law of the PRC (Revised in 2018) (《中華人民共和國個人所得稅法(2018年修訂)》) and the amended Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》) that took effect on January 1, 2019, foreign nationals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Further adjustments or changes to PRC tax laws and regulations could also have an adverse effect on our business, financial condition and results of operations. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

Holders of H shares may be subject to PRC taxation on dividends paid by us and gains realized through their disposal of our H Shares.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC domestic resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold such tax from dividend payments. According to relevant applicable regulations, generally, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. There remains uncertainty as to whether gains realized upon disposal of H Shares by non-PRC domestic resident individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC companies and gains realized upon disposal of equity interests in the PRC companies pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and other applicable PRC tax regulations and statutory documents, which can be reduced or eliminated under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. As of the Latest Practicable Date, there are no specific rules about how to levy tax on gains realized by our non-resident enterprise H Shareholders through the sale or transfer by other means of H Shares.

There remains uncertainty as to how the PRC tax laws, regulations and statutory documents are interpreted and implemented by the PRC tax authorities. PRC tax laws, regulations and statutory documents may also change. If there are any unfavorable changes to applicable tax laws or interpretations or application with respect to such laws, the value of your investment in our H Shares may be materially affected.

For details, see "Appendix IV – Taxation and Foreign Exchange".

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the completion of the Global Offering, no public market has existed for our H Shares. The initial Offer Price range to the public for our H Shares is the result of negotiations between us on behalf of ourselves and the Overall Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. There can be no assurance that an active trading market for our H Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial Offer Price.

The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The price and trading volume of our H Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our operating income, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices and demand for our products or services could cause large and sudden changes in the volume and price at which our H Shares will trade. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our H Shares.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price for our H Shares and trading volume may decline.

The trading market for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our H Shares to decline.

Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new H Shares or other securities relating to our Shares or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the ownership percentage of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the H Shares.

We cannot assure you of the accuracy of facts, forecasts and statistics derived from official government sources contained in this Prospectus with respect to China, its economy or its banking industry.

Facts, forecasts and statistics in this Prospectus relating to the PRC, the PRC economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources and information published by various government authorities and departments, such as PBoC, the NAFR and its predecessor, the former CBIRC, the International Monetary Fund, the Statistics Bureaus of Sichuan Province and other provinces, or other public sources. We believe that these sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Such information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or their respective directors or any other person involved in the Global Offering, and no representation is given as to its accuracy. In addition, these facts, forecasts and statistics may not be consistent with information available from other sources, and may not be complete or up to date. As a result, you should not place undue reliance on such information.

Since there may be a gap of two Business Days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be two Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

You should rely only on this Prospectus and other formal announcements made with respect to the Global Offering and read the entire Prospectus carefully, and not place any reliance on any information contained in press articles or other media, in making your investment decision.

We have not authorized anyone to provide you with information that is not contained in this Prospectus. Any financial information, financial projections, valuations, and other information purportedly about us contained in any press articles or other media have not been authorized by us and we make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. In making your decision as to whether to purchase our H Shares, you should rely only on the information in this Prospectus and other formal announcements made with respect to our Global Offering.

In preparation for the Global Offering, we have sought and have been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our head office and all of our business operations are based, managed and conducted in the PRC, we do not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Currently, all of our executive Directors reside in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. Our Bank has made the following arrangements to maintain effective communication between the Stock Exchange and us:

(i) we have appointed Mr. YANG Xingwang ("**Mr. Yang**"), an executive Director and the president of the Bank, and Dr. NGAI Wai Fung ("**Dr. Ngai**"), a joint company secretary of the Bank, as our authorized representatives ("**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules to act as our principal channel of communication with the Stock Exchange. Although Mr. Yang resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, our Authorized Representatives will be able to meet with the relevant members of the Stock Exchange on reasonable notice;

(ii) our Authorized Representatives have means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(iii) each Director has provided his/her mobile phone number, office phone number, fax number (if any) and e-mail address to our Authorized Representatives and the Stock Exchange. In the event that any Director expects to travel or otherwise be out of the office, he/she will provide the phone number of the place of his/her accommodation to the Authorized Representatives;

(iv) each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period; and

(v) we have appointed Maxa Capital Limited as the compliance advisor of the Bank in compliance with Rules 3A.19 and 19A.05 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange from the Listing Date to the date on which the Bank complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date, or until the engagement is terminated, whichever is earlier. The compliance advisor will maintain constant contact with our Authorized Representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary.

JOINT COMPANY SECRETARIES

Rule 8.17

According to Rule 8.17 of the Listing Rules, the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

Rule 3.28

According to Rule 3.28 of the Listing Rules, our secretary must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a Member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s:

(a) length of employment with the issuer and other issuers and the roles played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants issued by the Stock Exchange, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of Listing (the "**Waiver Period**") and on the following conditions: (i) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Bank.

We have appointed Ms. TANG Lin ("**Ms. Tang**") as a joint company secretary. Ms. Tang has substantial experience in handling corporate, legal and regulatory compliance and administrative matters of financial institutions in the PRC. Ms. Tang was elected by the Board to serve as the Secretary to the Board of Directors of the Bank and is responsible for assisting the Chairman in managing the Office of the Board of Directors, drafting meeting documents and relevant rules and regulations for the Board of Directors and Shareholders' general meetings. By virtue of Ms. Tang's past experience in handling administrative and corporate matters, our Bank believes Ms. Tang is capable of discharging the duties as a joint company secretary of our Bank and is a suitable person to act as a joint company secretary of our Bank. Further, given that our main operation is in the PRC, we believe that it would be in the best interest of our Bank and our corporate governance to have Ms. Tang, with her relevant background and experience in the PRC, to act as our joint company secretary.

Since Ms. Tang does not possess the professional or academic qualifications as stipulated in Rules 3.28 and 8.17 of the Listing Rules, we have appointed Dr. Ngai, a Fellow of the Hong Kong Chartered Governance Institute, a Fellow of the Chartered Governance Institute, a member of The Hong Kong Institute of Certified Public Accountants, a Fellow of Association of Chartered Certified Accountants in the United Kingdom and a member of the Chartered Institute of Arbitrators, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary and provide assistance to Ms. Tang for an initial period of three years from the Listing Date. For further details about Ms. Tang's and Dr. Ngai's qualifications and experience, see "Directors, Supervisors and Senior Management" in this Prospectus.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to the Bank, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

(a) Ms. Tang will endeavour to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Both Ms. Tang and Dr. Ngai have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

(c) Dr. Ngai will assist Ms. Tang to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;

(d) Dr. Ngai will communicate regularly with Ms. Tang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to us and our affairs. Dr. Ngai will work closely with, and provide assistance to, Ms. Tang in the discharge of her duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;

(e) Prior to the expiry of Ms. Tang's initial term of appointment as the company secretary of our Bank, our Bank will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether ongoing assistance should be arranged so that Ms. Tang's appointment as the company secretary of the Bank continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;

(f) The Bank has appointed Maxa Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on the date on which the Bank complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date, or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Bank and Ms. Tang as to the compliance with the Listing Rules and all other applicable laws and regulations; and

(g) The waiver may be revoked immediately if Dr. Ngai ceases to provide such assistance or if the Bank commits a material breach of the Listing Rules.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that, having had the benefit of Dr. Ngai's assistance for three years, Ms. Tang would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

As we are engaged in banking activities, pursuant to Rule 4.10 of the Listing Rules, the financial information to be disclosed in our Accountant's Report must be in accordance with best practice, which is at least that is required to be disclosed in respect of specific matters in the accounts of a company under the Hong Kong Financial Reporting Standards, IFRS or China Accounting Standards for Business Enterprises in the case of a PRC issuer that has adopted China Accounting Standards for Business Enterprises and, in the case of banking companies, the Guideline on the Application of the Banking (Disclosure) Rules issued by the HKMA.

As our Bank is engaged in banking activities, pursuant to Rule 4.10 of the Listing Rules, the financial information to be disclosed in this Prospectus should include information that is required to be disclosed in respect of those specific matters under the Banking (Disclosure) Rules.

Due to the reasons described below, we are currently unable to fully satisfy the disclosures required by the Banking (Disclosure) Rules. We believe that the financial disclosures which we are currently unable to satisfy do not have material impact on potential investors.

Our position in relation to disclosures under the Banking (Disclosure) Rules

Banking (Disclosure) Rules Item	Description	Bank's Position in Relation to the Specified Disclosure	Bank's Proposal for Disclosure	Expected Timing for Full Compliance
99	Sector Information	Our Group maintains a breakdown of loans and advances to customers by industry sector as set out in the Classification and Codes of National Economic Industries in its loan system for the purpose of filing a return to the NAFR.	For our Group, all loans and advances to customers are used in the PRC instead of in Hong Kong. Our Group is subject to the supervision of the NAFR and maintains a breakdown of loans and advances to customers by industry sector based on the classification system as prescribed by the NAFR, e.g. loans are categorized into corporate and personal loans which are further classified into detailed subcategories by industry/nature. Our Group has disclosed the loans and advances to customers by industry sectors in accordance with its management reports based on the NAFR classification in Note 3.1.6(e) "Analysis of loans and advances to customers by industry" to the Accountant's Report as set out in Appendix I to this Prospectus. Our Bank considers that the current disclosure is sufficient to serve HKMA's disclosure objectives.	N/A

Banking (Disclosure) Rules Item	Description	Bank's Position in Relation to the Specified Disclosure	Bank's Proposal for Disclosure	Expected Timing for Full Compliance
102	An authorized institution shall disclose its non-HKD currency exposures which arise from trading, non-trading and structural positions in accordance with the return relating to non-HKD currency positions it submitted to HKMA pursuant to section 63 of the Banking Ordinance in respect of the annual report period.	Our Group's accounts are prepared and denominated in RMB, which means that our Bank only discloses non-RMB currency exposures instead of non-HKD currency exposures.	N/A	N/A
Part 16M	Additional annual disclosure to be made by an authorized institution using standardized approach to calculate its credit risk for non-securitization exposures.	The computation basis of our Group is based on the requirements set out in the Capital Administrative Measures (Provisional) issued by the former CBRC, which was replaced by New Capital Management Regulations on January 1, 2024.	Our Bank will provide relevant capital structure and adequacy in accordance with the disclosure requirements of NAFR. Our Bank believes that such requirements result in disclosure similar to those as required under the Banking (Disclosure) Rules.	N/A

Save for the above, as a financial institution incorporated and based in the PRC, we are required to comply with the regulatory requirements set out by the NAFR and the PBoC. Certain provisions of the Banking (Disclosure) Rules require disclosure in respect of our capital structure, capital base (in particular, relating to our level of capital adequacy), cross-border claims, liquidity ratios, PRC non-bank exposures and credit risks. We have maintained and compiled data relating to these matters in accordance with the regulatory requirements of the NAFR and the PBoC. We believe that the regulatory requirements of the NAFR and the PBoC attempt to address similar disclosure considerations as those required under the Banking (Disclosure) Rules and the differences between the above disclosure requirements under the two regulatory regimes are minimal and immaterial.

If we attempt to comply with such requirements under the Banking (Disclosure) Rules in parallel with the regulatory requirements of the NAFR and the PBoC, we would be required to carry out additional work to collect and/or compile similar information already required and maintained in accordance with the regulatory requirements of the NAFR and the PBoC. Therefore, we propose to disclose information in compliance with the regulatory requirements of the NAFR and the PBoC instead of strictly following the disclosure regime provided for under the Banking (Disclosure) Rules.

We are of the view that this Prospectus contains sufficient information for investors to make informed investment decision notwithstanding the differences between the regulatory requirements of the NAFR and the PBoC on the one hand, and the disclosure requirements under the Banking (Disclosure) Rules on the other hand. The Joint Sponsors concur with the view of our Bank based on the reasoning above.

Based on the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 4.10 of the Listing Rules such that we will not fully comply with the requirements in respect of financial disclosures provided for under the Banking (Disclosure) Rules on the condition that we provide alternative disclosure in accordance with the regulatory requirements of the NAFR and the PBoC.

WAIVER IN RESPECT OF THE PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) of the Listing Rules requires that there must be an open market for the securities in which listing is sought and the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer shall have an expected market capitalization at the time of listing of over HK$10 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage of public float;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(d) the issuer will confirm the sufficiency of the public float in annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

It is currently expected that our Bank will have a market capitalization over HK$10 billion at the time of Listing (after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option).

Our Bank has applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules. Therefore, the public float of our Bank may fall below 25% of the total issued share capital of our Bank.

In support of the application, our Bank has confirmed to the Stock Exchange that:

(a) the minimum public float will be the higher of: (1) 15% of the total issued share capital of the Bank; or (2) such percentage of Shares to be held by the public H Shareholders immediately after the completion of the Global Offering and the last exercise of the Over-allotment Option (if any).

(b) the Bank will have an expected market capitalization at the time of the Listing of over HK$10 billion;

(c) we have significant offering size and there will be sufficient liquidity in our Shares notwithstanding a reduction in the minimum public float set out in Rule 8.08(1)(a) of the Listing Rules;

(d) the quantity and scale of the H Shares would enable the market to operate properly with a lower percentage of public float;

(e) the Bank will make appropriate disclosure of the lower percentage of public float in this Prospectus;

(f) the Bank will confirm sufficiency of public float in the Bank's annual reports after the Listing; and

(g) the Bank will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Bank. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this Prospectus or any statement herein misleading.

APPROVAL OF THE CBIRC AND CSRC FILING

Our Bank obtained approvals from the former CBIRC (currently the NAFR) Sichuan Office for the Global Offering and the application to list our H Shares on the Hong Kong Stock Exchange on June 27, 2023. In granting such approvals, the CBIRC Sichuan Office does not accept any responsibility for our financial soundness, or the accuracy of any of the statements made or opinions expressed in this Prospectus.

We have filed the required documents with the CSRC, and the CSRC has made the announcement on such filling information on its website on January 17, 2024, confirming, among others, our completion of the filing procedures pursuant to the new filing regime introduced by the New Regulations on Filing for the Global Offering and the application for listing of the Shares on the Hong Kong Stock Exchange.

INFORMATION ABOUT THE GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which form part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus contains the terms and conditions of the Hong Kong Public Offering. See "How to Apply for Hong Kong Offer Shares" for details of the procedures for applying for the Hong Kong Offer Shares. The Global Offering comprises the Hong Kong Public Offering of initially 68,840,000 Offer Shares and the International Offering of initially 619,560,000 Offer Shares, (subject to, in each case, reallocation on the basis as set out in the section headed "Structure of the Global Offering") and, in case of the International Offering, any exercise of the Over-allotment Option.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with our H Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information in this Prospectus is correct as of any subsequent time.

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

See "Structure of the Global Offering" for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price of the Overall Coordinators (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Overall Coordinators. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See "Underwriting" for details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

Our Bank has applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of and permission to deal in the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Monday, January 13, 2025.

Except for the listing of our H Shares on the Hong Kong Stock Exchange, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Bank by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Hong Kong Stock Exchange granting the listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and we complying with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All necessary arrangements have been made for the H Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of HKSCC and HKSCC operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our H share register to be maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered on our H share register in Hong Kong will be subject to Hong Kong stamp duty. See “Appendix IV – Taxation and Foreign Exchange”.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the H Shares. None of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the H Shares.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us, for ourselves and for the benefit of each Shareholder, and we agree with each Shareholder, to observe and comply with the Bank Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Articles of Association;

(ii) agrees with us, for ourselves and for the benefit of each Shareholder and each of our Directors, Supervisors, managers and other senior officers, and we, acting for ourselves and on behalf of each Shareholder and each of our Directors, Supervisors, managers and senior officers, agree with each Shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Bank Law or other relevant laws and administrative regulations concerning the affairs of the Bank to arbitration in accordance with the Articles of Association, and that the arbitration tribunal may conduct hearings in open sessions and to publish its award, which shall be final and conclusive. See "Appendix VI – Summary of the Articles of Association";

(iii) agrees with us, for ourselves and for the benefit of each Shareholder that the H Shares are freely transferable by their holders; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors and senior officers whereby each such Director, Supervisor and senior officer undertakes to observe and comply with his obligations to our Shareholders as stipulated in the Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Listing Rules) of any of the Directors, Supervisors or an existing Shareholder of our Bank or a nominee of any of the foregoing.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Bank, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of members of our Bank in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain RMB amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of RMB into Hong Kong dollars and vice versa have been made at the rate of RMB0.92545 to HK$1.00 in this Prospectus. The RMB to HK$ exchange rate is quoted by the PBoC for foreign exchange transactions prevailing on December 20, 2024.

No representation is made that any amount in RMB or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

See "Appendix IV – Taxation and Foreign Exchange" for further details on exchange rates.

LANGUAGE

If there is any inconsistency between this Prospectus and its Chinese translation, this Prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this Prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. XUE Feng (薛峰)	No. 5, 6/F, Unit 1, Building 2 No. 109 Xiaonan Street Qingyang District Chengdu Sichuan Province the PRC	Chinese
Mr. YANG Xingwang (楊興旺)	No. 2, Floor 7, Unit 2, Building 31 Section No. 4 Hangtian Road Middle Xuzhou District Yibin Sichuan Province the PRC	Chinese
Mr. XU Yong (許勇)	No. 602, Unit 2, Building 20 Bifeng Garden No. 3 Baiyang Road Cuiping District Yibin Sichuan Province the PRC	Chinese
Non-executive Directors		
Ms. JIANG Lin (蔣琳)	No. 19 Yangshi Street Qingyang District Chengdu Sichuan Province the PRC	Chinese
Mr. ZHAO Gen (趙根)	No. 1, 10/F, Unit 2, Building 3 No.8 Qingyang Avenue Qingyang District Chengdu Sichuan Province the PRC	Chinese

Name	Residential Address	Nationality
Ms. XIAO Yufeng (肖玉烽)	No. 2, 5/F, Unit 1, Building 24 Xihuwan No. 4 Central Hangtian Road Cuiping District Yibin Sichuan Province the PRC	Chinese
Ms. TIAN Tian (田甜)	No. 47 Huangdu Street Nanxi District Yibin Sichuan Province the PRC	Chinese
Independent Non-executive Directors		
Ms. ZHAO Jingmei (趙靜梅)	No. 10, Unit 1, Building 19 No. 55 Guanghua Village Street Qingyang District Chengdu Sichuan Province the PRC	Chinese
Mr. YAO Liming (姚黎明)	No. 1, 19/F, Unit 1, Building 3 No. 9 Consulate Road Wuhou District Chengdu Sichuan Province the PRC	Chinese
Mr. XING Huayu (邢華鈺)	FLAT B 1F HOUSE 3 No. 28 Stanley Mound Road Hong Kong	Chinese
Ms. YU Xiaoran (于瀟然)	No. 802, West Gate 2, 3/F, No. 17 Xicui Road Haidian District Beijing the PRC	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. KANG Yong (康勇)	No. 2, Annex 4, Unit 1, Building 3 No. 93 Friendship Road Xunchang Town Gongxian County Sichuan Province the PRC	Chinese
Mr. LIU Wanli (劉萬里)	No. 45, Annex 1, East Section of Minglun Hall Cuiping District Yibin Sichuan Province the PRC	Chinese
Ms. JIA Yan (賈艷)	No. 4, 5/F, Unit 1, Building 2 No. 4 Jialing Road Wuhou District Chengdu Sichuan Province the PRC	Chinese
Ms. MAO Fangqiong (毛方瓊)	No. 13, Building 5 No. 1 Middle Section of Changjiang Avenue Cuiping District Yibin Sichuan Province the PRC	Chinese
Mr. JIA Heng (賈恒)	No. 11, 6/F, Unit 1, Building 8 No. 103 Wutong Road Damian Longquanyi District Chengdu Sichuan Province the PRC	Chinese

Name	Residential Address	Nationality
Ms. He Ling (何玲)	No. 501, Unit 12 No. 7 Yuhu 3rd Lane Junlian Town, Junlian County Yibin Sichuan Province the PRC	Chinese
Ms. ZHANG Jufang (張聚方)	No. 16, 8/F, Unit 1, Building 4 No. 555 Dongpo North 3rd Road Qingyang District Chengdu Sichuan Province the PRC	Chinese
Ms. CHEN Qian (陳倩)	No. 502, Unit 1, Building 4 No. 1 Shuangqing South Road Qingyang District Chengdu Sichuan Province the PRC	Chinese
Mr. XU Jiagen (徐加根)	No. 9, 5/F, Unit 2, Building 10 No. 55 Guanghua Village Street Qingyang District Chengdu Sichuan Province The PRC	Chinese
Mr. SHAN Chengge (單承戈)	No. 1808, Unit 1, Building 1 No. 27 Tongxin Road Qingyang District Chengdu Sichuan Province the PRC	Chinese

Name	Residential Address	Nationality
Mr. WANG Shuai (王帥)	No. 2901, Unit 1, Building 2 Annex 18, No. 2 Jianshe Road Chenghua District Chengdu Sichuan Province the PRC	Chinese

For more information on our Directors and Supervisors, see “Directors, Supervisors and Senior Management” in this Prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**CCB International Capital Limited** 12th Floor, CCB Tower 3 Connaught Road Central Central Hong Kong
	ICBC International Capital Limited 37th Floor, ICBC Tower 3 Garden Road Hong Kong
Sponsor-Overall Coordinators	**CCB International Capital Limited** 12th Floor, CCB Tower 3 Connaught Road Central Central Hong Kong
	ICBC International Securities Limited 37th Floor, ICBC Tower 3 Garden Road Hong Kong
Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Manager	**CCB International Capital Limited** 12th Floor, CCB Tower 3 Connaught Road Central Central Hong Kong
	ICBC International Securities Limited 37th Floor, ICBC Tower 3 Garden Road Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Manager *(in alphabetical order)*	**BOCI Asia Limited** 26/F, Bank of China Tower 1 Garden Road, Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	Zhongtai International Securities Limited 19/F, Li Po Chun Chambers 189 Des Voeux Road Central Central, Hong Kong

Joint Bookrunners and Joint Lead Manager
(in alphabetical order)

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

Maxa Capital Limited
Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan, Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

Joint Lead Managers
(in alphabetical order)

CNI Securities Group Limited
26/F, Times Media Centre
133 Wan Chai Road, Wan Chai
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Capital Market Intermediaries

CCB International Capital Limited
12th Floor, CCB Tower
3 Connaught Road Central
Central
Hong Kong

ICBC International Securities Limited
37th Floor, ICBC Tower
3 Garden Road
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central, Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

Maxa Capital Limited
Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan, Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

CNI Securities Group Limited
26/F, Times Media Centre
133 Wan Chai Road, Wan Chai
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Legal Advisors to the Bank	*As to Hong Kong law:* **Clifford Chance** 27th Floor, Jardine House One Connaught Place Hong Kong *As to PRC law:* **Global Law Office** 15/F & 20/F, Tower 1 China Central Place No. 81 Jianguo Road Chaoyang District Beijing, PRC
Legal Advisors to the Joint Sponsors and Underwriters	*As to Hong Kong law:* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing, PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants and* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Compliance Advisor	**Maxa Capital Limited** *(a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)* Unit 1908, Harbour Center 25 Harbour Road Wanchai, Hong Kong

Fire Safety Consultant	**Yibin Chi An Fire Safety Technology Co., Ltd.** No. 7, Building 5, Unit 2, Sichuan Building No. 171 Nanan Shunan Avenue Central, Xuzhou District Yibin Sichuan Province the PRC
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower, 3 Garden Road, Central Hong Kong

Registered Office	No. 1 Nuxue Street Cuiping District Yibin, Sichuan Province the PRC
Headquarters in the PRC	No. 1 Nuxue Street Cuiping District Yibin, Sichuan Province the PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
The Bank's Website	**www.ybccb.com** *(The information on the website does not form part of this Prospectus)*
Joint Company Secretaries	**Ms. TANG Lin** No. 1 Nuxue Street Cuiping District Yibin, Sichuan Province the PRC **Dr. NGAI Wai Fung** *(FCIS, FCS (PE), CPA, FCCA)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Authorized Representatives	**Mr. YANG Xingwang** No. 2, Floor 7, Unit 2, Building 31 Section No. 4 Hangtian Road Middle Xuzhou District Yibin Sichuan Province the PRC **Dr. NGAI Wai Fung** *(FCIS, FCS (PE), CPA, FCCA)* 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong

Strategy and Asset and Liability Management Committee	Mr. XUE Feng *(Chairperson)* Mr. YANG Xingwang Mr. XU Yong Ms. JIANG Lin Ms. XIAO Yufeng Mr. ZHAO Gen Mr. XING Huayu
Nomination and Remuneration Committee	Mr. XING Huayu *(Chairperson)* Mr. XUE Feng Ms. JIANG Lin Ms. XIAO Yufeng Mr. YAO Liming Ms. YU Xiaoran Ms. ZHAO Jingmei
Internal Control and Compliance Committee	Ms. ZHAO Jingmei *(Chairperson)* Ms. TIAN Tian Mr. YAO Liming
Audit Committee	Ms. YU Xiaoran *(Chairperson)* Ms. TIAN Tian Ms. ZHAO Jingmei
Risk Management Committee	Mr. YANG Xingwang *(Chairperson)* Ms. XIAO Yufeng Ms. ZHAO Jingmei Mr. XING Huayu
Related Party Transactions Control Committee	Mr. YAO Liming *(Chairperson)* Mr. YANG Xingwang Ms. YU Xiaoran
Consumer Rights and Interests Protection Committee	Mr. XU Yong *(Chairperson)* Ms. TIAN Tian Mr. ZHAO Gen
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong

This section contains certain information, data and statistics relating to the industry in which we operate. We have extracted and derived such information, in part, from data relating to us which were prepared in accordance with IFRS, and from various official or publicly available sources derived from data prepared in accordance with PRC GAAP or other applicable GAAP or accounting standards which may differ from IFRS in certain significant respects. In addition, the information provided by various official or publicly available sources may not be consistent with the information compiled within or outside China by third parties.

We believe that the sources of such information are appropriate, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, and the Joint Lead Managers, the Capital Market Intermediaries, any or the Underwriters, any of their respective directors, officers, representatives or advisors or any other person or party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon. As of the Latest Practicable Date, our Directors confirm that, after taking reasonable care, there has been no material adverse change in the market information presented in this section.

NATIONAL AND REGIONAL ECONOMY

Economy of the PRC

China is the second largest economy in the world. Over the past four decades, China's economy experienced phenomenal growth, and has gradually shifted towards a "New Normal" phase characterized by the shifting in focus of economic development from the pursuit of high GDP growth to the optimization of the economic structure and the exploration and cultivation of drivers for economic growth. According to National Bureau of Statistics, China's nominal GDP increased from RMB98,651.5 billion in 2019 to RMB126,058.2 billion in 2023 at a CAGR of 6.3%. Meanwhile, China's GDP per capita grew steadily at a CAGR of 6.3% from RMB70,078 in 2019 to RMB89,358 in 2023.

Economy of Sichuan Province

Situated at the intersection of the Silk Road Economic Belt and Yangtze River Economic Belt, Sichuan Province of China is renowned for its large population, abundant resources and high GDP growth. The province's economic prosperity is attributable to its advantageous geographic location, favorable regulatory environment and comprehensive policy support for infrastructure construction, trade and economic development. In addition, the establishment of the China (Sichuan) Pilot Free Trade Zone in 2017 with a series of policies and measures to further liberalize and facilitate trade has further propelled Sichuan's transformation from an inland province to a hub of international openness by creating a business-friendly environment to encourage international investment. In 2023, the GDP of Sichuan Province amounted to RMB6,013.3 billion, representing a CAGR of 6.7% between 2019 and 2023, ranking fifth in China. Sichuan Province has established a complete range of industries and a solid industrial foundation. In 2023, the annual industrial added value reached RMB1,670.5 billion, a 5.3% increase compared to the previous year. Among them, the six major industries of electronics and information, equipment manufacturing, advanced materials, energy and chemicals, food and textiles, pharmaceuticals and health have become the six pillar industries in Sichuan with prospects and competitive advantages.

Sichuan Province has benefited, and is projected to maintain significant advantages, from numerous pivotal PRC national and regional strategies and policies. These collective initiatives have fostered sustained economic growth, infrastructure enhancement and regional integration within the province. Some of these key policies include:

- *The Chengdu-Chongqing Dual-City Economic Circle*. Initiated in 2021, the plan aims at promoting coordinated development of the Chengdu-Chongqing area, including 15 cities in Sichuan Province. By leveraging the economic strengths and resources of each city, the initiative aims to create an integrated economic region that drives the growth and development of Western China, and gradually emerges as the "fourth tier" of China's economic growth.

- *The China (Sichuan) Pilot Free Trade Zone*. Established in 2017, this zone has fostered a business-friendly environment for international trade and investment, positioning Sichuan as a hub of economic openness. The total import and export value of Sichuan's trade in goods has increased from RMB676.6 billion in 2019 to RMB957.5 billion in 2023 with a CAGR of 9.1%, ranking eighth in the country.

- *The Yangtze River Economic Belt ("YREB") strategy*. Launched in 2016, this plan aims to promote economic development along the Yangtze River. As Sichuan is located within this region, it has gained from improved infrastructure, ecological conservation and regional integration efforts.

- *The Belt and Road Initiative ("BRI")*. As part of the Silk Road Economic Belt, Sichuan has leveraged its strategic location to enhance connectivity, trade and investment with other countries along the Belt. It has emerged as a gateway for China's opening-up to the west and south.

- *The "Go West" strategy*. Launched in 1999, this initiative aims to boost the development of China's western regions, including Sichuan, by attracting investment, improving infrastructure and promoting innovation.

- *The 13th and 14th Five-Year Plans.* These plans outline China's economic and social development goals for 2016-2020 and 2021-2025, respectively. Sichuan has benefited from various projects and policies under these plans, including those related to industrial upgrades, technological innovation, and rural revitalization.

The following table sets out the nominal GDP, GDP per capita and urban household disposable income per capita of Sichuan Province for the years indicated:

	For the years ended December 31,					CAGR
	2019	**2020**	**2021**	**2022**	**2023**	**(2019-2023)**
Nominal GDP (in billions of RMB)	4,636	4,850	5,409	5,661	6,013	6.7%
GDP per capita (in RMB)	55,619	58,009	64,610	67,610	71,835	6.6%
Urban household disposable income per capita (in RMB)	36,154	38,253	41,444	43,233	45,227	5.8%

Source: National Bureau of Statistics.

Economy of Yibin

Yibin is located in the southeastern part of Sichuan Province and situated at the intersection of the Jinsha River, Minjiang River and Yangtze River with convenient transportation and trade. Taking into account its unique geographic location and advanced river-based transportation system, Yibin is well-positioned to take natural advantage in its economy development. According to the 12th Sichuan Provincial Congress of the Communist Party of China, together with Luzhou, Yibin has positioned as the economic sub-center of Sichuan Province.

The city's economic development has also been supported by various national and regional policies, such as the Yangtze River Economic Belt strategy, the "Go West" initiative and the Chengdu-Chongqing Dual-City Economic Circle outlined above. Yibin has effectively strengthened its advantage in the Baijiu sector by implementing a high-quality development and fast-growth program for Wuliangye Group and has been recognized as the "City of Baijiu." Additionally, Yibin is actively fostering the development of emerging local industries such as power battery, silicon photovoltaic, digital economy, intelligent manufacturing and rail transit. Yibin has been named as City of Chinese Power Battery by the China National Light Industry Council and the China Battery Industry Association. Yibin has also prioritized the revitalization of its economy through science development and education. As a result, the city has been designated as one of the first National Industry-Education Integration Pilot City in China, and it remained the sole pilot city in Sichuan Province as of the Latest Practicable Date. These forward-thinking policies and strategies have attracted investments, facilitated infrastructure enhancements, and fostered technological innovation in Yibin. In 2023, Yibin's regional GDP ranked third in the Sichuan Province and reached RMB380.7 billion, a 7.5% increase from 2022, outpacing both the national annual growth rate of 5.2% and Sichuan Province's annual growth rate of 6.0%. Alongside the economic growth, Yibin's urbanization rate increased from 51.2% in 2019 to 54.9% in 2023 according to the latest available data.

The table below sets forth out the nominal GDP, GDP per capita and urban household disposable income per capita of Yibin for the years indicated:

	For the years ended December 31,					CAGR
	2019	**2020**	**2021**	**2022**	**2023**	**(2019-2023)**
Nominal GDP (in billions of RMB)	263	281	320	348	381	9.7%
GDP per capita (in RMB)	57,820	61,427	69,531	75,552	82,341	9.2%
Urban household disposable income per capita (in RMB)	36,694	39,166	42,779	44,739	47,021[(1)]	6.4%

Note:

(1) Calculated based on the urban household disposable income per capita in 2022 and the growth rate in 2023 published by Yibin Municipal Bureau of Statistics.

Source: Yibin Municipal Bureau of Statistics; Sichuan Provincial Bureau of Statistics.

Impact of Macroeconomic Environment on PRC Banking Industry

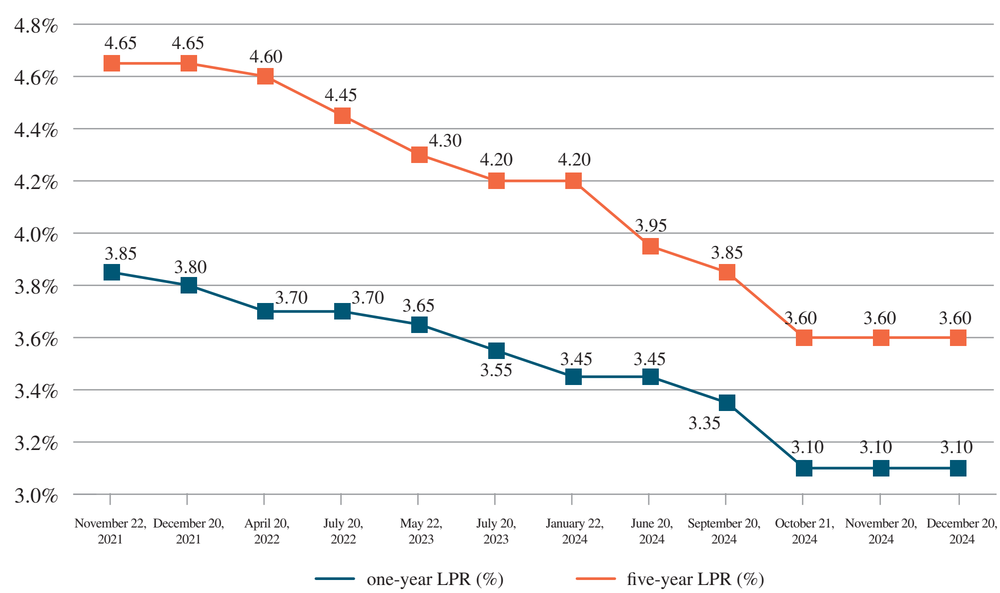
The operational and financial performance of the PRC banking industry and our Bank is closely intertwined with the macroeconomic environment, which is mainly reflected in the following aspects:

Monetary Policies

The monetary policies of the PBoC plays a pivotal role in shaping the local banking industry. By adjusting the benchmark interest rates, the PBoC directly influences the lending and deposit rates of banks. For instance, a reduction in the LPR typically results in lower lending rates, potentially stimulating borrowing and boosting banks' loan businesses. However, this could also decrease banks' net interest margin, impacting their profitability.

The PBoC influences the monetary supply and, consequently, banks' liquidity through various monetary policies, such as adjusting the statutory deposit reserve ratio, open market operations, and rediscount policies. These policies can significantly impact the lending activities of PRC banking industry thereby affecting the business, results of operations, and financial condition of PRC banking industry, including ours. In recent years, the PBoC has implemented a series of monetary policies, such as modifying statutory deposit reserve ratios for commercial banks, gradually liberalizing the regulation of interest rates, and adjusting seven-day reverse repo rate to promote steady reduction of overall financing costs. Notably, to consolidate the foundation for economic recovery and keep liquidity adequate at a reasonable level, in 2021, 2022, 2023 and the nine months ended September 30, 2024, the PBoC successively reduced the statutory deposit reserve ratio by 100 basis points, 50 basis points, 50 basis points and 50 basis points, respectively. On August 15, 2023, the PBoC lowered overnight rates on its standing lending facility by 10 basis points across all tenors. Benefiting from the interest rate liberalization, the LPR maintained a downward trend during the Track Record Period and up to the Latest Practicable Date. Five-year LPR decreased from 4.65% as of January 1, 2021 to 3.60% as of the Latest Practicable Date, while one-year LPR decreased from 3.85% as of January 1, 2021 to 3.10% as of the Latest Practicable Date.

The following chart sets forth the changes of five-year LPR and one-year LPR since 2021 and up to the Latest Practicable Date:



Source: the PBoC.

Economic and Industrial Development

The economic and industrial development of the PRC has had a profound influence on the operational and financial performance of its banking industry. According to National Bureau of Statistics, China's nominal GDP increased from approximately RMB98,651.5 billion in 2019 to approximately RMB126,058.2 billion in 2023 at a CAGR of 6.3%. Meanwhile, China's GDP per capita grew steadily at a CAGR of 6.3% from approximately RMB70,078 in 2019 to approximately RMB89,358 in 2023. Rapid economic growth and industrialization have led to increased demand for financial services, driving loan growth and deposit accumulation in banks. Moreover, economic development has led to increased income levels, resulting in larger retail deposit bases and more diversified retail financial needs. This has not only provided banks with a stable source of funding but also allowed them to expand their lending activities, further enhancing their profitability.

In recent years, certain industries, such as manufacturing, technology and consumer products, have experienced sustained growth, supported by various industry development guidelines issued by the government. The expansion of these industries has led to increased demand for corporate loans for investment in infrastructure, equipment and working capital. This has resulted in significant loan growth for banks. On the other hand, the government has also issued a number of guidelines to guide the healthy development of industries, including the 2009 Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Certain Industries through Financial Services (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》), the 2013 Guiding Opinions of the State Council on Resolving Serious Overcapacity Conflicts (《國務院關於化解產能嚴重過剩矛盾的指導意見》) and the 2017 Coal Overcapacity Reduction Implementation Plan (《2017年煤炭去產能實施方案》) aimed to control overcapacity in certain industries. The industrial restructure, such as in the mining industry, has reshaped the industry landscape and led to a decrease in demand for corporate loans from these industries, potentially impacting the loan growth of banks. Moreover, companies in these industries may face financial difficulties due to reduced production, leading to an increased risk of loan defaults. This can negatively impact the asset quality of banks, increasing their non-performing loan ratios and potentially affecting their profitability. However, these policies can also present opportunities for banks. The push to control overcapacity is often accompanied by a push for industry upgrades and technological innovation. This can lead to increased demand for loans from companies in emerging industries such as high-tech manufacturing and green energy. Banks can seize these opportunities to diversify their loan portfolios and reduce their exposure to industries with overcapacity.

Impact of Local Economic Environment on our Bank

Our principal operations and service networks are located in Yibin, Sichuan Province, an economic sub-center and central city in the South Sichuan Region. Yibin has experienced rapid economic development due to its strategic location and abundant talent pool, which has contributed to the improvement of the regional financial environment and the growth of local industries. As of the Latest Practicable Date, Yibin was the only National Industry Education Integration Pilot City in southwestern China. In 2023, Yibin established 113 majors related to key industries in universities and was approved for three new provincial-level modern industry colleges. Additionally, Yibin attracted over 2,000 in-demand talent with doctoral and master's degrees in 2023, representing a year-on-year increase of 49.0% compared to 2022. With its wealth of educational resources, Yibin had over 100,000 enrolled college students as of December 31, 2023.

We have strategically aligned our corporate banking business with Yibin's economic development, establishing specialized sub-branches to serve enterprises of all sizes in regionally competitive sectors. Our integration with the local market has facilitated steady growth in our operations, with a notable increase in corporate loans disbursed to customers in Yibin, and a rise in customer deposits from the region during the Track Record Period.

In addition, our retail banking business capitalizes on Yibin's rapidly expanding population and domestic market, offering personalized financial products and services to local residents and individual business owners. The expanding population in Yibin has brought an enlarged customer base and an increased demand for personal banking services such as savings accounts, personal loans and mortgages, which has further led to an expansion of our retail banking portfolio, contributing to our overall business growth. For details, see "Business – Our Competitive Strengths – Integration with the Thriving Local Economy in Yibin, Sichuan Province, Entailing Significant Growth Potential."

BANKING INDUSTRY

Overview

China's banking industry is one of the largest and most influential banking industries in the world, with operations of numerous domestic and international banks including large commercial banks, nationwide joint-stock commercial banks, city commercial banks, rural financial institutions, foreign-invested banks, private banks and other banking financial institutions.

China's banking industry has experienced remarkable growth in recent years, driven by the rapid national economic development, urbanization and growing middle class. From 2019 to 2023, the aggregate loans and deposits of financial institutions in China increased at a CAGR of 11.2% and 10.0%, respectively.

The following table sets forth the aggregate Renminbi- and foreign currency-denominated loans and deposits of financial institutions in China as of the dates indicated:

	As of December 31,					CAGR
	2019	2020	2021	2022	2023	(2019-2023)
Total RMB-denominated loans (in billions of RMB)	153,112	172,745	192,690	213,985	237,591	11.6%
Total RMB-denominated deposits (in billions of RMB)	192,879	212,572	232,250	258,500	284,262	10.2%
Total foreign currency denominated loans (in billions of USD)	787	867	913	735	656	-4.4%
Total foreign currency denominated deposits (in billions of USD)	758	889	997	854	798	1.3%

Source: the PBoC.

The following table sets forth certain information on the commercial banks in China as of the dates or for the years indicated:

	As of and for the years ended December 31,					CAGR
	2019	2020	2021	2022	2023	(2019-2023)
Total assets (in billions of RMB)	239,488	265,792	288,589	319,814	354,847	10.3%
Total liabilities (in billions of RMB)	220,054	244,541	264,748	294,283	327,147	10.4%
Net profit (in billions of RMB)	1,993	1,939	2,184	2,303	2,377	4.5%
Return on assets (%)	0.87%	0.77%	0.79%	0.76%	0.70%	N/A
Allowance coverage ratio (%)	186.08%	184.47%	196.91%	205.85%	205.14%	N/A
NPL ratio (%)	1.86%	1.84%	1.73%	1.63%	1.59%	N/A

Source: the NAFR.

Based on the regulations of NAFR and the nature of the banks' operations, banks in China are primarily categorized into large commercial banks, nationwide joint-stock commercial banks, city commercial banks, rural financial institutions and others. In accordance with the categorization, our Bank is a city commercial bank in the Sichuan province. We have also established and operated two rural banks, namely, the Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank, both of which are categorized under rural financial institutions. The following table sets forth the total assets of different types of banking financial institutions in the PRC as of the dates indicated:

	As of December 31,					CAGR
	2019	2020	2021	2022	2023	(2019-2023)
	(in billions of RMB, except percentages)					
Large commercial banks	116,777	128,429	138,400	156,260	176,765	10.9%
Nationwide Joint-stock commercial banks	51,782	57,832	62,187	66,464	70,885	8.2%
City commercial banks	37,275	41,070	45,069	49,885	55,204	10.3%
Rural financial institutions[1]	37,216	41,531	45,695	50,010	54,611	10.1%
Others[2]	46,953	50,879	53,409	56,766	59,824	6.2%
Total	290,003	319,742	344,761	379,386	417,289	9.5%

Source: the NAFR.

(1) Including rural commercial banks, rural cooperative banks, rural credit cooperatives and novel rural financial institutions (including rural banks).

(2) Including policy banks, China Development Bank, private banks, foreign-invested banks, non-bank financial institutions and financial asset investment companies.

City Commercial Banks

After more than two decades of rapid development, city commercial banks have formed a substantial part of the PRC's banking system. As of December 31, 2023, there were 125 city commercial banks in China based on the latest available data. City commercial banks have played important roles in maintaining regional financial stability, promoting market competition, facilitating access to financial services, and easing funding pressures for small and medium enterprises. In addition, leveraging their understanding of local markets and relationships with local customers, city commercial banks are generally well-positioned to capture local opportunities and market trends. According to the NAFR, the total assets of city commercial banks in China increased from approximately RMB37,275.0 billion as of December 31, 2019 to approximately RMB55,204.2 billion as of December 31, 2023, representing a CAGR of 10.3% from 2019 to 2023.

The table below sets forth certain information relating to city commercial banks in China as of the dates or for the years indicated:

	As of and for the years ended December 31,					**CAGR**
	2019	**2020**	**2021**	**2022**	**2023**	**(2019-2023)**
	(in billions of RMB, except percentages)					
Total assets	37,275	41,070	45,069	49,885	55,204	10.3%
Total liabilities	34,497	38,154	41,573	46,169	51,130	10.3%
Net profit	251	215	239	255	293	4.0%
Return on assets (%)	0.70%	0.55%	0.56%	0.54%	0.56%	N/A
Allowance coverage ratio (%)	153.96%	189.77%	188.71%	191.62%	194.94%	N/A
NPL ratio (%)	2.32%	1.81%	1.90%	1.85%	1.75%	N/A

Source: the NAFR.

Rural Banks

Rural bank is categorized as a form of rural financial institutions. According to the regulations of NAFR, rural banks are banking financial institutions established in rural areas with the approval of the NAFR's local branches in accordance with relevant laws and regulations, funded by domestic and foreign financial institutions, domestic non-financial institutions and domestic natural persons, and mainly provide financial services for local farmers, agriculture and rural economic development. Based on the latest available data from NAFR, as of December 31, 2023, there were 1,636 rural banks nationwide. Based on the latest available data, as of December 31, 2022, the rural banks in China had total assets of approximately RMB2.2 trillion, and a total loan balance of approximately RMB1.5 trillion, with an average household loan balance of approximately RMB286,800.0.

Banking Industry in Sichuan Province

The banking industry in Sichuan Province represents a crucial component of the region's financial landscape, with a diverse range of institutions operating within its borders. Major banks include local branches of large commercial banks and nationwide joint-stock commercial banks, city commercial banks, rural commercial banks and local branches of foreign-invested banks. The industry is driven by the province's rapid economic growth, urbanization and expanding consumer market.

Sichuan's banking sector has experienced significant development, with institutions actively involved in financing infrastructure projects, supporting local industries, and catering to the financial needs of individuals and businesses. The sector has also benefited from regional and national policies promoting financial inclusion and innovation. According to PBoC and NAFR Sichuan Office, as of December 31, 2023, the total assets of banking financial institutions in Sichuan Province amounted to approximately RMB15,462.0 billion, which grew at a CAGR of 10.9% from 2019 to 2023. As of December 31, 2023, the aggregate loans and deposits of financial institutions amounted to approximately RMB10,579.0 billion and approximately RMB12,298.0 billion, respectively, which grew at a CAGR of 14.1% and 10.3%, respectively, from 2019 to 2023.

The following table sets forth the relevant information on the aggregate loans and deposits of financial institutions in Sichuan Province as of the dates indicated:

	As of December 31,					CAGR
	2019	2020	2021	2022	2023	(2019 to 2023)
Total loans (in billions of RMB)	6,249	7,103	8,034	9,224	10,579	14.1%
Total deposits (in billions of RMB)	8,312	9,184	10,008	11,166	12,298	10.3%

Source: PBoC Chengdu branch.

The following table sets forth the total assets of different types of banking financial institutions in Sichuan Province as of the dates indicated:

	As of December 31,					CAGR
	2019	2020	2021	2022	2023	(2019-2023)
	(in billions of RMB, except percentages)					
Large commercial banks	4,577	4,981	5,352	5,923	6,441	8.9%
Nationwide Joint-stock commercial banks	827	893	945	1,027	1,174	9.2%
City commercial banks[(1)]	1,700	1,948	2,228	2,572	3,132	16.5%
Rural financial institutions[(2)]	1,967	2,179	2,437	2,755	3,104	12.1%
Others[(3)]	1,155	1,359	1,390	1,552	1,611	8.7%
Total	10,225	11,360	12,352	13,828	15,462	10.9%

Source: PBoC, NAFR Sichuan Office.

(1) For 2022 and 2023 analysis only, include private banks.

(2) Including rural commercial banks, rural cooperative banks, rural credit cooperatives and novel rural financial institutions (including rural banks).

(3) Including policy banks, China Development Bank, private banks, foreign-invested banks, non-bank financial institutions and financial asset investment companies. For 2022 and 2023 analysis only, does not include private banks.

Banking Industry in Yibin

Yibin's banking industry plays an important role within the larger Sichuan banking ecosystem. As of December 31, 2023, Yibin has the footprint of 28 banking financial institutions, comprising six large commercial banks, four nationwide joint-stock commercial banks, four city commercial banks, and 12 rural financial entities including rural commercial banks and rural banks. These institutions have been instrumental in funding infrastructure, supporting local industries, and catering to the financial needs of both businesses and individuals in Yibin and Sichuan Province. From 2019 to 2023, the banking industry of Yibin witnessed a significant growth, with total loans and deposits of financial institutions in Yibin as of December 31, 2023 accounting for 4.3% and 4.3%, respectively, of the total loans and deposits of financial institutions of Sichuan Province as of the same date. In addition, the total loans and deposits of financial institutions in Yibin experienced a growth at CAGR of 23.5% and 11.8%, respectively, from 2019 to 2023, which surpassed Sichuan Province's CAGR of 14.1% for loans and 10.3% for deposits during the same period. In 2023, Yibin ranked third in economic scale and second in GDP growth rate in Sichuan Province, with its regional GDP reaching approximately RMB380.7 billion that represented a year-on-year growth of 7.5% from 2022. The burgeoning economy and banking industry in Yibin has made it a vital driving force of Sichuan Province's overall economic growth and development.

As of December 31, 2023, we were the largest bank in terms of total assets among all banking financial institutions in Yibin, according to the NAFR Yibin Office. The following table sets forth the relevant information on the aggregate loans and deposits of financial institutions in Yibin as of the dates indicated:

	As of December 31,					CAGR
	2019	2020	2021	2022	2023	(2019 to 2023)
Total loans (in billions of RMB)	198	251	306	375	459	23.5%
Total deposits (in billions of RMB)	338	372	414	466	528	11.8%

Source: NAFR Yibin Office.

Competitive Landscape of Banking Industry in Yibin

As a city commercial bank based in Yibin, we mainly compete with other commercial banks in the same city. As of December 31, 2023, our total assets, total loans and advances to customers and total customer deposits were RMB93.4 billion, RMB49.4 billion and RMB71.4 billion, respectively. As of December 31, 2023, we were the largest bank in Yibin in terms of total assets among all financial institutions in Yibin, according to the NAFR Yibin Office.

The table below sets forth the scale and number of outlets of the five largest commercial banks in terms of total assets in Yibin as December 31, 2023:

	As of December 31, 2023				
	Total assets	Total liabilities	Total loans	Total deposits	Number of Outlets in Yibin
	(in billions of RMB, expect percentage)				
Our Group	93.4	84.2	49.4	71.4	48(1)
Bank A(2)	79.7	74.5	44.8	67.3	294
Bank B(3)	78.8	78.1	49.1	71.2	31
Bank C(4)	45.8	44.9	41.6	42.4	49
Bank D(5)	41.9	41.4	22.7	38.0	129

Source: NAFR Yibin Office, annual reports.

(1) Including our head office, 39 branches and sub-branches of our bank and eight facilities of Yibin Xingyi Rural Bank.

(2) An unlisted rural commercial bank headquartered in Yibin incorporated in 2018.

(3) The Yibin branch of a large commercial bank incorporated in 2005 and listed on Shanghai Stock Exchange and Hong Kong Stock Exchange.

(4) The Yibin branch of a large commercial bank incorporated in 2009 and listed on Shanghai Stock Exchange and Hong Kong Stock Exchange.

(5) The Yibin branch of a large commercial bank incorporated in 2012 and listed on Shanghai Stock Exchange and Hong Kong Stock Exchange.

INDUSTRY TRENDS AND BUSINESS DRIVERS

Economic growth in China, Sichuan Province and Yibin

The PRC banking industry has witnessed rapid growth influenced by factors such as overall economic growth and rising household incomes. The progress of city commercial banks is also heavily reliant on the economic growth of their operational regions. Despite China's recent transition to the "New Normal" economic stage, Sichuan Province and Yibin have sustained continued growth, largely attributable to favorable policy initiatives and government support for infrastructure construction, trade and economic development.

In 2023, the GDP of Sichuan Province amounted to RMB6,013.3 billion, representing a CAGR of 6.7% between 2019 and 2023, ranking fifth in China. Sichuan Province has fostered a wide range of industries and a solid industrial foundation. In the future years, Sichuan Province will strive to strengthen its leading position in the advantageous industries. It seeks to implement the growth plan for its six pillar industries, including electronics and information, equipment manufacturing, advanced materials, energy and chemicals, food and textiles, pharmaceuticals and health, with a goal to double their scale by 2027 compared with that in 2021. Meanwhile, Sichuan will stimulate the development of strategic emerging industry integration clusters, create new pillars and tracks leading towards future economic progress, expedite the construction of digital Sichuan, and leverage information technology to facilitate modernization. According to Sichuan Province's "14th Five-Year Plan" for digital economic development, the total size of digital economy in Sichuan Province is expected to exceed RMB3.0 trillion by 2025, and account for 43% of an overall GDP of over RMB7.0 trillion.

Yibin is committed to promoting high-quality industrial development in an effort to drive local economic growth. With a focus on digital economy, green new energy and the Wuliangye high-quality growth program, Yibin is actively constructing four major industrial clusters, including world-class high-quality Baijiu sector, a globally advanced power battery sector, a national level silicon photovoltaic sector, and a nationally advanced digital economy sector[(1)]. Yibin is the first and only National Industry Education Integration Pilot City in southwestern China as of the Latest Practicable Date. In 2023, Yibin witnessed the establishment of a total of 113 majors related to key industries in local universities, as well as the approval for three new provincial-level modern industry education colleges. Additionally, Yibin attracted over 2,000 in-demand talent with doctoral or master's degree in 2023, representing an increase of 49.0% as compared to 2022. With the rich educational resources, Yibin had over 100,000 enrolled college students as of December 31, 2023. According to "14th Five-Year Plan" of Yibin, the city plans to establish over 15 general universities by 2025 and construct over 100 enterprises integrating industry and education. Over the years from 2019 to 2023, Yibin's GDP

Note:

(1) In Yibin, the 'advanced digital economy sector' refers to a robust and innovative industry that capitalizes on digital technologies, including IoT, big data, and 5G infrastructure. The city fosters this sector through a digital economy development fund, promoting the growth of intelligent terminal enterprises and the electronic information manufacturing industry. This strategy, coupled with the enhancement of digital infrastructure and the progression of smart city projects, aims to deeply integrate the digital and real economies, boosting industrial digitization, informatization, and intelligence.

experienced a significant growth at a CAGR of 10.0% which is higher than the CAGR of 6.7% of Sichuan and the CAGR of 6.3% of China over the same period. In 2023, Yibin ranked third in economic scale and second in GDP growth rate in Sichuan Province, with its regional GDP reaching approximately RMB380.7 billion that represented a year-on-year growth of 7.5% from 2022. According to "14th Five-Year Plan" of Yibin, Yibin's GDP is expected to exceed RMB450.0 billion, or reach RMB500.0 billion by 2025. In 2023, the total industrial added value of Yibin's Baijiu, power batteries, silicon photovoltaics, smart terminals, new energy vehicles, equipment manufacturing, advanced materials, energy, and building materials increased by approximately 13.0% compared to 2022; among which, the industrial added value of new energy vehicles, power batteries, smart terminals and Baijiu increased by approximately 71.5%, 19.0%, 18.5% and 8.0%, respectively.

The economies of Sichuan and Yibin will continue to maintain stable development. We anticipate that the economy of Sichuan Province and Yibin will continue to grow in the future, driving a sustained increase in market demand for banking products and services such as our corporate banking, retail banking and financial markets businesses. For further information, see "Business – Our Competitive Strengths."

Evolving Regulation and Supervision

In recent years, the PBoC and the NAFR have promulgated a series of regulations to enhance the regulation and supervision of PRC's banking industry and cultivate an orderly market for competition. These regulations aim to, among other things, strengthen the supervision over capital adequacy, enhance risk management, improve modern corporate governance and further enhance the capacity of commercial banks to offer financial services to real economy. For details of relevant regulations, see "Regulatory Overview." Some of the key requirements of relevant regulations include:

- *Risk Management Improvement*. The PRC banking regulatory institutions launched various rules and regulations to enhance the overall risk management capacity of commercial banks, with specific requirements on the timely identification and accurate prediction of risks associated with changes in business model and structure, continuous improvement in overall risk management strategy and enhancement of risk mitigation capacity through utilizing various capital market instruments.

- *Stringent Management on Business Operations*. Recent regulatory development focused on financial markets business, including (i) encouraging banking financial institutions to optimize loan portfolio and improve credit support to the real economy, and (ii) taking measures to reduce financing costs of the real economy and simplify structure of financial products through decreasing the number of entities involved in fund flow.

- *Enhancement in Corporate Governance*. Regulatory focus on corporate governance aims at the improvement in the management structure covering the entire entity, equity and the operations of board of directors and board of supervisors.

- *Encouraging Capital Replenishment*. In February 2019, the State Council issued policies supporting commercial banks' capital replenishment through multiple channels. The State Council has outlined a raft of measures for commercial banks, including raising the efficiency of examination and approvals for the issuance of perpetual bonds, reducing the threshold for the approval of preferred stock and convertible bonds, and allowing those banks that satisfy the relevant requirements to issue multiple forms of capital supplementation instruments. In addition, these policies encourage funds, annual funds and other long-term investors to participate in the capital replenishment and share expansion of banks, support investments by the wealth management subsidiaries of commercial banks in bank capital supplementation bonds and encourage foreign financial institutions to participate in bond market transactions.

With the continuous development of the regulatory environment, particularly the trend manifested in the above-mentioned rules and regulations, we expect that financial institutions in the PRC, including commercial banks, will keep optimizing asset quality and improving risk management system.

Ongoing Interest Rate Liberalization Reform

In the PRC, interest rates on RMB-denominated loans and deposits are set by the financial institution with reference to the benchmark interest rates on loans and deposits published and adjusted from time to time by PBoC. In recent years, as part of the government's efforts to reform the financial system to support balanced and sustainable growth, the PRC has implemented a series of initiatives to move towards market-based lending and deposits rates.

In October 2015, the PBoC lifted the administrative control over deposit rates, allowing market-based pricing through the Market Interest Rate Pricing Self-discipline Mechanism (the "Rate Self-discipline Mechanism"). Under this mechanism, member institutions were granted autonomy in determining deposit rate levels within the upper limits of self-discipline. In June 2021, the PBoC further optimized the formation of the upper limit of deposit rates within the Rate Self-discipline Mechanism. Previously, this limit was calculated by multiplying the benchmark deposit rate by a certain multiple. It has now been revised to be determined by adding a specific basis point. Further, in April 2022, the PBoC established a market-oriented adjustment mechanism under the guidance of the Rate Self-discipline Mechanism, specifically for deposit rates. Member banks of the Rate Self-discipline Mechanism are now encouraged to make reasonable adjustments to deposit rates with reference to the representative rates in the bond and loan markets, which further fosters a market-driven approach to deposit rate pricing while maintaining a well-regulated deposit market competition. In 2023, major banks proactively lowered deposit rates based on operational needs and market conditions in March, June and September, respectively, which further optimized the deposit rate term structure and promoted the marketization of interest rates. Benefiting from the interest rate liberalization, the LPR maintained a downward trend during the Track Record Period and up to the Latest

Practicable Date. Five-year LPR decreased from 4.65% as of January 1, 2021 to 3.60% as of the Latest Practicable Date, while one-year LPR decreased from 3.85% as of January 1, 2021 to 3.10% as of the Latest Practicable Date.

In the foreseeable future, the PBoC intends to continue to deepen the reform of interest rate marketization and improve market-based rate formation and transmission mechanisms. It is expected that with the promotion of further interest rate marketization reform, banks will be granted greater flexibility in deciding lending and deposit rates while stabilizing their cost of debt.

Maintaining Important Roles of City Commercial Banks in the Banking Industry in the PRC

Unlike large commercial banks and nationwide joint-stock commercial banks, city commercial banks are generally permitted to provide banking services only within certain geographic regions. Guided by policies issued by relevant regulatory authorities, city commercial banks should continue to pursue differentiating and distinctive development strategies, take full advantage of a fast-decision-making process and flexible operation mechanism, and focus on providing a wider range of financial services to small and micro enterprises together with urban residents in the local areas.

In recent years, city commercial banks have been strengthening their capital base through the introduction of strategic investors and initial public offerings. In addition, some city commercial banks have, in accordance with regulations, begun developing integrated operations business models, such as establishing consumer finance companies and financial leasing companies.

According to the NAFR, the total assets of all city commercial banks in the PRC reached approximately RMB55,204.0 billion, which accounted for 15.6% of the total assets of all commercial banks in the PRC as of December 31, 2023. As an important part of commercial banks industry in the PRC, city commercial banks also grew rapidly in terms of total assets at a CAGR of 10.3% between 2019 and 2023, while with relatively better asset quality compared with rural commercial banks which also mainly focus on local customers. NPL ratios of city commercial banks were 2.32% and 1.75% in 2019 and 2023, respectively, lower than the corresponding NPL ratios of rural commercial banks of 3.9% and 3.3%.

Opportunities for Banks Arising from Technology-enabled Financial Services

In recent year, financial technology has presented banks with opportunities to expand their business, enhance risk management and streamline their business. In 2022, the PBoC published the Development Roadmap for Fintech (2022-2025) (the “Roadmap”), further stressing the role of fintech in commercial banks’ transformation and development. For example, the Roadmap encourage, commercial banks to, among other things, improve their digital capacity, construct highly utilized digital center, build up reliable innovative system for fintech, deepen the application of digital technology in financial industry and cultivate fintech professionals.

PRC's banking industry has capitalized on rapidly developing digital and mobile technology to introduce new businesses, products and service platforms, including the establishment of e-commerce platforms to provide financial services to customers and online sales platforms for financial products. Certain commercial banks have attempted to improve operating efficiency and risk management by utilizing big data technology. By integrating their physical networks and services with electronic banking, banks can provide more convenient traditional banking services and innovative banking products to customers. Application of electronic banking channels such as Internet banking and mobile banking has opened broad new channels for banks to expand their banking businesses. In the meantime, online payment is gradually becoming one of the major payment channels. Expanding user base and increasing demand for mobile banking in the PRC have resulted in comprehensive cooperation between commercial banks and Internet companies in the area of financial technology, which is expected to become one of the focuses of commercial banks' digital transformation.

Increasing Importance for Customized Retail Banking Products and Services in Sichuan Province

With the growth of the PRC economy, the per capita income of domestic residents in Sichuan Province has been increasing in the past four decades. In Sichuan Province, the per capita disposable income of urban households experienced significant growth from RMB36,154 in 2019 to RMB45,227 in 2023, according to the National Bureau of Statistics and Sichuan Provincial Bureau of Statistics. In addition, the per capita disposable income of urban households in Yibin increased from RMB36,694 in 2019 to RMB47,021 in 2023, according to the latest available data from Yibin Municipal Bureau of Statistics.

As a result of accumulated personal wealth of domestic residents, customers in Sichuan Province have been looking for more diversified personal financial products and services. There have been significant growth opportunities in the personal finance market in Sichuan Province due to the increasing consumer demand for more diversified retail banking products and services, such as residential mortgage loans, credit cards, wealth management services, personal consumer loans and other consumer finance products. It is expected that providing quality and customized products and services to retail banking customers will become the significant driving force of retail banking business.

Increasing Importance of Banking Services to Small and Micro Enterprises

In recent years, small and micro enterprises in the PRC have experienced significant growth. Based on latest available data, as of December 31, 2022, there were more than approximately 52 million small and micro enterprises and individual business owners in the PRC. In 2022, revenue generated from small and micro enterprises exceeded RMB80.0 trillion, accounting for more than 60.0% of GDP in the PRC, based on the latest available data. In 2023, new registered entities of small and micro enterprises and individual business owners exceeded 32.7 million, representing a year-on-year increase of 12.6%. Meanwhile, loans under inclusive finance to small and micro enterprises in China have also grown rapidly. According to the NAFR, as of December 31, 2023, the loan balance to small and micro enterprises from banking financial institutions was approximately RMB70.9 trillion, of which the balance of inclusive loans to small and micro enterprises with a credit line of RMB10.0 million and below was approximately RMB29.1 trillion, representing a year-on-year increase of 23.3%.

Moreover, in Yibin and Sichuan Province, small and micro enterprises are playing an increasingly important role in driving regional economic development, resolving employment issues and improving national standard of living. In 2023, the loan balance and number of accounts of small and micro enterprises in Sichuan Province increased by 27.2% and 24.9%, respectively, compared to 2022. The growth rate of the loan balance of inclusive small and micro enterprises was 10.4 percentage points higher than the overall loan growth rate in Sichuan Province, and 2.45 percentage points higher than the national average in 2023. In addition, in 2023, the loan balance of small and micro enterprise credit loans increased by 48.4% year-on-year compared to 2022, according to NAFR Sichuan office. Furthermore, in the six months ended June 30, 2023, the average annualized interest rate for newly issued inclusive loans to small and micro enterprises decreased by 23 basis points compared to 2022. In the six months ended June, 2023, loans of small and micro enterprises has the largest scale and year-on-year increase among loans of all types of enterprises in Yibin, according to Institute of Financial Studies, Southwestern University of Finance and Economics (西南財經大學金融研究院).

The robust economic development in Sichuan Province and Yibin has significantly contributed to the growth of small and micro enterprises in these regions. In 2023, the GDP of Sichuan Province amounted to RMB6,013.3 billion, representing a CAGR of 6.7% between 2019 and 2023, ranking fifth in China. Concurrently, in 2023, Yibin's regional GDP ranked third in the Sichuan Province and reached RMB380.7 billion, a 7.5% increase from 2022, outpacing both the national annual growth rate of 5.2% and Sichuan Province's annual growth rate of 6.0%. Alongside the economic growth, Yibin's urbanization rate increased from 51.2% in 2019 to 54.9% in 2023 based on latest available data, demonstrating enhanced infrastructure, increased consumer demand and diversified economic activities that present abundant opportunities for small and micro enterprises to expand market access, increase customer base and explore business opportunities. The economic ascendancy in Sichuan Province and Yibin is synonymous with increased investment, enhanced industrial activity and amplified business opportunities, each of which constitutes a critical pillar for the growth of small and micro enterprises, resulting in a corresponding increase in the loan demand by these enterprises. From 2021 to 2023, the total loan balance in Yibin increased at a CAGR of 22.6% from approximately RMB305.6 billion to approximately RMB459.3 billion. In line with the growth of total loan balance within the city, the number of small and micro enterprise loan borrowers increased from approximately 81.1 thousand as of December 31, 2021 to approximately 106.0 thousand as of June 30, 2023, and the loan balance for small and micro enterprises in Yibin increased from approximately RMB101.9 billion as of December 31, 2021 to approximately

RMB165.8 billion as of June 30, 2023 at a growth rate of 62.7% based on the latest available data. The dynamism in the regional economic landscape not only fosters a conducive environment for business establishment and expansion but also avails the requisite resources and opportunities for small and micro enterprises to innovate, diversity and enhance their competitiveness. See "– National and Regional Economy – Economy of Sichuan Province" and "– National and Regional Economy – Economy of Yibin."

In addition, the supportive governmental policies also play a crucial role in fostering the growth of small and micro enterprises. In December 2015, the State Council issued the Plan for Advancing the Development of Inclusive Finance (2016-2020) (《推進普惠金融發展規劃(2016-2020)》), which was China's inclusive finance policy that aimed at making financial services accessible and affordable to all individuals and businesses regardless of their size and income level. Subsequently, the Party Central Committee and the State Council issued a series of inclusive financial support policies, forming a complete and systematic policy support system. In September 2021, the PBoC issued the China Inclusive Financial Index Analysis Report (2020) (中國普惠金融指標分析報告(2020年) to further emphasize the future expansion of inclusive finance scope. On April 6,2022, NAFR has issued a Circular of the General Office of the China Banking and Insurance Regulatory Commission on Further Increasing Financial Support for the Development of Small and Micro Enterprises in 2022 (中國銀保監會辦公廳關於2022年進一步強化金融支持小微企業發展工作的通知), which requires the financial institutions continuously improve the financial supply for small and micro enterprises. On October 11, 2023, the State Council issued the Implementation Opinions on Promoting the High-Quality Development of Inclusive Finance (關於推進普惠金融高質量發展的實施意見), which states that, over the next five years, the goal is to establish a high-quality inclusive finance system and achieve more widespread basic financial services, and there should be more convenient financing for business entities, stronger financial support for rural revitalization, more robust financial consumer education and protection mechanism, more effective financial risk prevention and control, and a more comprehensive supporting mechanism for inclusive finance.

We believe that the demand outlook for small and micro enterprises in Yibin and Sichuan Province is promising, given the region's robust economic growth and supportive government policies. The local government's commitment to fostering a favorable business environment for small and micro enterprises, coupled with the region's strategic location and abundant resources, bodes well for these businesses. In Yibin, the thriving liquor industry, led by renowned brands like Wuliangye, provides ample opportunities for small and micro enterprises in the supply chain. Additionally, the city's focus on developing its four industrial clusters provides great business opportunities for competitive companies within these sectors, further driving the regional economic and industrial development. In the broader Sichuan Province, the government's push for technological innovation and digital transformation is expected to drive demand for IT and tech-related small and micro enterprises. The province's rich agricultural resources also present opportunities for businesses across various industries. It is expected that, with the support of favorable national and local governmental policies and the implementation of inclusive finance by banking financial institutions, banking services for small and micro enterprises will become the driving force for the sustainable development of banks in the future.

ENTRY BARRIERS AND EMERGING RISKS TO THE BANKING INDUSTRY

Entry Barriers in the Banking Industry

The PRC banking industry is characterized by significant entry barriers, primarily attributed to the extensive regulatory framework governing this sector. As a highly regulated industry, banking financial institutions, including commercial banks, face a myriad of requirements and constraints that span across various facets of their operations. At the onset, the establishment of banking financial institutions requires the approval of the NAFR or its local branches and a valid business operation license. See "Regulatory Overview – Requirements for Admissions to the Industry – Basic Requirements." Upon establishment, all banking financial institutions in the PRC are stringently supervised by regulators such as the PBoC and NAFR, and are subject to rigorous regulatory requirements concerning business scope, financial licenses, branch establishment, operational changes, equity endorsement and shareholder qualifications. Additionally, banking financial institutions such as city commercial banks must comply with regulatory indicators pertaining to operational performances, including but not limited to capital adequacy, non-performing loan ratio, and anti-money laundering measures. See "Regulatory Overview." This complex, multifaceted regulatory landscape often necessitates significant capital investment and robust risk management system, which serves as a formidable barrier to entry, ensuring that only entities that meet the exhaustive criteria and standards are able to establish themselves in the industry.

Emerging Concerns Related to the Real Estate Industry

There has been raised concerns with respect to the asset quality of the real estate sector in the banking industry due to potential risks associated with elevated levels of real estate-related loans. As of December 31, 2023, the total outstanding real estate loans in the PRC financial institutions reached approximately RMB52.6 trillion, accounting for 21.7% of the aggregate loans of financial institutions as of the same date. This represents a year-on-year decrease of 1.0% from December 31, 2022. Additionally, the year-on-year growth rate of total real estate-related loans as of December 31, 2023 was 2.5 percentage points lower than that as of December 31, 2022, primarily due to the decrease of residential mortgage loans. Accordingly, any significant or prolonged downturns in the real estate market may result in decreased demand for real estate-related products and negatively impact the assets quality of the banks. However, monetary policies and adjustments to the policies regarding commercial personal housing loan interest rates have been introduced to adapt to the evolving supply and demand dynamics of China's real estate market and meet the public's new expectations for quality housing. Such measures aim to promote the stable and healthy development of the real estate market and support stable economic growth. For example, on August 31, 2023, the PBoC and the NAFR issued a notice to lower the interest rates on existing first-home commercial personal housing loans. In 2024, the PBoC and NAFR introduced a series of supportive policies to stimulate the real estate market and enhance economic stability. The measures mainly include (i) reducing the minimum down payment requirement for residential mortgage loans nationwide; (ii) abolishing the lower limit of the interest rate for residential mortgage loans nationwide; (iii) lowering the interest rate for loans under the housing provident fund scheme and (iv) directing commercial banks to lower the interest rates on existing housing loans to levels close to those of newly issued housing loans. See "Summary – Recent Development."

In light of these policy changes, we are of the view that these measures would stimulate demand for both primary residences and property upgrades, thereby increasing the volume of residential mortgage loans and bringing positive impacts on our business, financial condition and results of operations. Besides, the removal of the mortgage interest rate floor would lead to a more market-oriented mechanism in determining the loan interest rate. Due to competition under the market-oriented mechanism, there might be a potential short term decline in the interest rates for residential mortgage loans. The long-term outlook suggests that a resurgence in the real estate market will bolster economic growth, enhance loan volumes, and secure the value of mortgaged properties, thereby improving asset quality of banking industry. Additionally, the policies offer all-encompassing support for real estate projects at various stages, including built but unsold properties, sold properties under construction and stock land. This is expected to improve the cash flow position of real estate companies, mitigate their current challenges, and mitigate the potential spillover of real estate sector risks into the banking industry.

Emerging Concerns Related to Certain LGFVs

Meanwhile, many banks in the PRC have extended loans to LGFVs; any significant macroeconomic slowdown, unfavorable changes in national policies, the deterioration in the financial condition of local governments, significant decline in property prices or other external factors may undermine the repayment capabilities of relevant LGFVs, which may, in turn, adversely affect the asset quality, financial condition and results of operations of the banks. In recent years, under the influence of the financing environment, regional land market and the pressure of mature debts, the credit of LGFVs, including the urban investment enterprises, has continued to diverge, and the liquidity pressure of certain urban investment companies with less than ideal performance has increased, exacerbating the urgency for certain city commercial banks to replenish capital. These emerging threats could exacerbate the challenges faced by the banking industry, potentially leading to increased credit risk. See "Risk Factors – Risks Relating to Our Business – Our asset quality, financial condition or results of operations may be materially and adversely affected if the repayment ability of LGFVs deteriorates or the government policies affecting LGFVs change." To effectively prevent and mitigate local debt risks, in September 2023, the State Council issued the Guiding Opinions of the General Office of the State Council on Financial Support for Resolving Debt Risks of Financing Platforms (General Office of the State Council [2023] No. 35) (國務院辦公廳關於金融支持融資平台債務風險化解的指導意見(國辦發[2023]35號)). This document emphasizes a targeted approach, focusing on the existing debts of the LGFVs of key provinces that mature in 2023 to 2024. It outlines the use of various financial instruments, such as loans, bonds, and non-standard debt, and combines credit and monetary policies to support local governments in effectively resolving LGFV debt risks. The document also provides guidance on debt restructuring and debt swaps. Specifically, it mentions that bank loans should preferably be taken over by the current creditors, who should support the continuation of loan principals through loan extensions and interest rate reductions. The extension interest rates should be managed to ensure capital preservation with minimal profit, and, in principle, the interests should not be lower than the average comprehensive cost of the banks.

OVERVIEW

The banking industry in the PRC is highly regulated. The current principal regulatory authorities of the PRC banking industry include the NAFR (based on former CBIRC) and the PBoC. The NAFR is responsible for supervising and regulating banking institutions. The PBoC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies and preparing drafts of important laws and regulations in the banking industry and prudently regulating basic systems. The laws and regulations applicable to the PRC banking industry mainly include Commercial Banking Law of the People's Republic of China (2015 Amendment) (《中華人民共和國商業銀行法(2015修正)》) ("Commercial Banking Law"), Law of the People's Republic of China on the People's Bank of China (2003 Amendment) (《中華人民共和國中國人民銀行法(2003修正)》) ("PBoC Law") and Banking Supervision and Regulatory Law of the People's Republic of China (2006 Amendment) (《中華人民共和國銀行業監督管理法(2006修正)》), and relevant regulations, rules and normative documents established thereunder.

PRINCIPAL REGULATORS

PBoC

As the central bank of the PRC, the PBoC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets.

According to the PBoC Banking Law and relevant provisions, the PBoC shall perform the following functions and responsibilities: (1) to promulgate and carry out the orders and regulations related to its functions and responsibilities; (2) to formulate and implement monetary policies in accordance with law; (3) to issue Renminbi (RMB) and control its circulation; (4) to supervise and administer the interbank lending market and the interbank bond market; (5) to exercise control of foreign exchange and supervise and administer the interbank foreign exchange market; (6) to supervise and administer the gold market; (7) to hold, administer and manage the state foreign exchange reserve and gold reserve; (8) to manage the state treasury; (9) to maintain the normal operation of the system for making payments and settling accounts; (10) to guide and make plans for the fight against money laundering in the financial industry, and to be responsible for monitoring the use of the funds earmarked for the fight against money laundering; (11) to be responsible for statistics, investigation, analysis and forecasting concerning the financial industry; (12) to engage in relevant international financial operations in its capacity as the central bank of the state; and (13) other functions and responsibilities prescribed by the State Council.

CBIRC and Its Local Branches

Functions and Powers

Established by merging the former CBRC and former CIRC and prior to the establishment of NAFR, the CBIRC was an institution directly under the State Council, and was the principal regulatory authority for financial institutions of the banking industry in the PRC, responsible for the supervision and regulation of banking institutions operating in the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives and other financial institutions taking deposits from the public, policy banks and certain non-banking financial institutions. The CBIRC was also responsible for the supervision and regulation of the entities established by the abovementioned financial institutions outside the PRC and the overseas operations of the above-mentioned banking and non-banking financial institutions.

Examination and Supervision

The CBIRC, through its headquarters in Beijing and its local offices throughout the PRC, monitors the operations of banks and their branches and sub-branches through on-site examinations and off-site surveillance.

If a banking institution is not in compliance with the relevant banking regulations, the CBIRC is authorized to require it to rectify and impose punitive measures against it, including imposing fines, ordering the suspension of certain business activities, withholding the approval for engaging in new businesses, imposing restrictions on dividends, distributions in other forms, and transfer of assets, demanding the transfer of equity interest held by controlling shareholders or limiting the exercise of such shareholders' rights, demanding the change of directors or senior management personnel or limiting their rights, and withholding the approval for the opening of new branches and sub-branches. If the case is particularly serious, or the banking institution fails to make correction within the prescribed period of time, the CBIRC may order suspension of business or revocation of its operation license. When there is, or is likely to be, a credit crisis within a banking institution, which may materially impact the legitimate interests of depositors and other customers, the CBIRC may take over or procure the restructuring of such banking institution.

NAFR

China's national legislature approved a plan on March 7, 2023, on reforming the institutions of the State Council. The State Council announced that it would abolish the CBIRC and move its functions, powers and responsibilities to a national financial regulator, namely the National Administration of Financial Regulation. Certain functions of the PBoC and the CSRC will be transferred to the NAFR as well.

On 18 May 2023, NAFR was officially established, which opens a new chapter on financial regulation in China. The NAFR, directly under the State Council, is formed on the basis of the former CBIRC, in charge of regulating the financial industry except the securities sector. Apart from taking over the commission's responsibility of supervising banking and insurance institutions, the NAFR would also supervise financial holding companies and other financial conglomerates, which is now a duty of the People's Bank of China. Therefore, NAFR has inherited almost all the functions of the CBIRC and such reform of state institutions has no substantial impact on the Bank's business and operations or the banking industry in the PRC.

REGULATIONS RELATING TO OVERSEAS OFFERING AND LISTING

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) effective on March 31, 2023 as well as five guidelines for the filing-based administration of overseas securities offerings and listings by PRC companies (collectively, the "New Filing Rules"), which came into effect on the same date. The New Filing Rules apply to (i) PRC companies that seek to directly offer or list securities on overseas markets; and (ii) PRC companies that seek to indirectly offer or list securities on overseas markets. PRC companies that seek to offer or list securities on overseas markets, both directly and indirectly, shall fulfill the filing procedure and report relevant information to the CSRC. Subject to specific circumstances, the New Filing Rules require that, among other things, (i) initial public offerings or listings on overseas markets shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas. If a PRC company fails to complete the filing procedure or the filing documents submitted by a PRC company contain misrepresentation, misleading statement or material omission, such PRC company may be subject to order to rectify, warnings and fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly responsible persons may also be subject to fines. However, since the New Filing Rules are newly promulgated, the interpretation, application and enforcement of the New Filing Rules remain uncertain.

In addition, pursuant to the New Filing Rules, no overseas offering or listing shall be made under any of the following circumstances: (i) such securities offering or listing is explicitly prohibited by PRC laws, administrative regulations and relevant rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by relevant departments of the State Council in accordance with PRC laws; (iii) the domestic company intending to make the securities offering or listing, or its controlling shareholders or actual controller, have committed crimes of corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering or listing, being suspected of committing crimes or material violations of laws and regulations, is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity interests in the domestic company held by its controlling shareholder or other shareholders that are controlled by the controlling shareholder and/or actual controller.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Provision on Confidentiality"), which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing entity, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the state. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the state.

REQUIREMENTS FOR ADMISSION TO THE INDUSTRY

Basic Requirements

The establishment of a city commercial bank requires the NAFR's approval and issuance of a business operation license. Pursuant to the relevant provisions of Commercial Banking Law and Implementation Measures of the CBIRC on Administrative Licensing on Chinese-Funded Commercial Banks (2022 Amendment) (《中國銀保監會中資商業銀行行政許可事項實施辦法(2022修正)》) ("Administrative Licensing Measures"), an applicant for the establishment of a city commercial bank will generally meet the following conditions: (1) it has the articles of association in compliance with Company Law of the People's Republic of China (《中華人民共和國公司法》) and Commercial Banking Law; (2) it shall have a registered capital of RMB1 billion (or RMB100 million if a legal person institution of a city commercial bank) or more or equivalent convertible currency, and the registered capital shall be paid-in capital; (3) it has directors and senior management personnel who are qualified to hold office and qualified personnel who are familiar with the banking business; (4) it has a sound organizational structure and complete management rules; (5) it has business premises, safety protection measures and other facilities commensurate with its operations; and (6) it has established an information technology framework commensurate with its operations, has necessary, safe and compliant information technology systems to support its operations, and has technologies and measures to ensure the effective and safe operation of the information technology systems.

Significant Changes

Pursuant to Administrative Licensing Measures, city commercial banks are required to obtain approval from the NAFR or its local offices to undertake significant changes, including: (1) change of name of head office; (2) change of registered capital; (3) change of domicile of head office (except for the changes due to adjustment of administrative divisions); (4) change of business scope; (5) change of form of organization; (6) change of shareholders holding 5% or more of the bank's total capital or share; (7) merge and acquisition; (8) qualification licensing of directors and senior management; and (9) dissolution and bankruptcy, etc.

Establishment of Branches and Sub-branches

According to Administrative Licensing Measures, to establish a branch, the headquarters of a city commercial bank shall submit applications to provincial offices of the CBIRC at the place where the branch is to be established; to establish a sub-branch, the headquarters of a city commercial bank shall submit applications to municipal offices of the CBIRC at the place where the sub-branch is to be established or provincial offices at its location.

According to the requirements of the "Notice of China Banking Regulatory Commission on Issuing the Guidelines on Consolidated Management of and Supervision over Commercial Banks (2015 Revised)" 《(商業銀行併表管理與監管指引(2015年修訂)》), promulgated on 30 December 2014 and effective on 1 July 2015, commercial banks should implement consolidating the management of the entire banking group, exercise comprehensive and continuous management and control over the corporate governance, capital and finance of the banking group and its affiliates, and effectively identifies, measures, monitors and controls the overall risk status of the bank group. A banking group consists of commercial banks and their affiliates at all levels. Subsidiaries include, but are not limited to, other commercial banks, non-bank financial institutions, non-financial institutions both within and outside the country, and other institutions that should be included in the scope of consolidation in accordance with the Guidelines. Factors involved in the consolidated management of commercial banks include scope of consolidation, business collaboration, corporate governance, enterprise-wide risk management, capital management, concentration management, internal transaction management, and risk isolation.

EQUITY AND SHAREHOLDER RESTRICTIONS

Regulations on Equity Management of Banks

The Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》) issued by the former CBRC on January 5, 2018 specifies that the relationships among commercial banks' shareholders and their controlling shareholders, actual controlling persons, related parties, concert parties and ultimate beneficiaries shall be clear and transparent; the shareholding percentage of shareholders and their related parties and concert parties shall be calculated together.

Restrictions on Shareholders

CBIRC Notice on Promulgation of the Corporate Governance Guidelines for Banking and Insurance Institutions (《中國銀保監會關於印發銀行保險機構公司治理準則的通知》) imposes additional requirements on shareholders of commercial banks. For example, A bank shall stipulate in its articles of association that the substantial shareholders shall make a long-term commitment to it in writing to replenish capital when necessary as part of its capital planning, and the main factors to be considered when it formulates prudent profit distribution plans.

A commercial bank shall stipulate in its articles of association the restrictions on shareholders' rights when its credit is overdue. Where the credit granted by the bank to a substantial shareholder is overdue, the vote of such shareholder at the general meeting of shareholders and of such shareholder's nominated or dispatched director at the board of directors shall be restricted. If the credit granted by the bank to any other shareholders is overdue, the commercial bank shall restrict the related rights of such shareholders in light of its actual situation.

The Notice of the CBRC on Strengthening Equity Pledge Administration promulgated by the former CBRC (《中國銀監會關於加強商業銀行股權質押管理的通知》) in November 14, 2013 specifies that in addition to the provisions of the Guidelines for the Corporate Governance of Banks and Insurance Institutions above, a commercial bank shall specify in its articles of association: (1) a shareholder holding the position of director or supervisor of the bank, or directly, indirectly or jointly holding or controlling 2% or more shares or voting rights of the bank that proposes to pledge its shares of the bank shall make a filing to the board of directors of the bank prior to the pledge. The filing shall state the basic information of the pledge, including the reasons for the pledge, the number of shares involved, the term of pledge and the particulars of the pledgee(s). If the board of directors considers the pledge to be materially adverse to the stability of the bank's shareholding structure, the corporate governance as well as the control of risk and related party transactions, the filing shall be rejected. The director(s) nominated by a shareholder proposing to pledge its shares in the bank shall abstain from the voting at the meeting of the board of directors at which such proposal is considered; (2) upon the registration of pledge of equity, the shareholder involved shall provide the bank with the relevant information in relation to the pledge of equity in a timely manner, so as to facilitate the bank's risk management and information disclosure compliance; (3) where the balance of a shareholder's borrowings in the bank exceeds the audited net value of its equity in the bank in the previous year, the shareholder shall not pledge the bank's equity; and (4) when a shareholder pledges 50% or more of its equity in the bank, the voting rights of such shareholder at the shareholders' general meetings, as well as the voting rights of the director(s) designated by such shareholder at board meetings, shall be subject to restrictions. If a commercial bank is unable to meet the regulatory requirements, relevant regulators shall require the commercial bank to formulate a rectification plan, and will take corresponding regulatory measures where necessary.

In the Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》) which was issued on January 5, 2018 and into effect on the same date, the PRC government sets out further restriction on substantial shareholders of commercial banks in China, for example (1) substantial shareholders shall enjoy its rights and undertake its obligations in strict compliance with relevant laws, regulations, administrative policies and articles of association of the bank, and shall not abuse shareholders' rights or utilize their influence to intervene in the decision-making power and management power that the board of directors and the senior management are entitled to in accordance with the articles of association; (2) substantial shareholders shall not directly intervene in or utilize influence to intervene in the business operation and management of the commercial bank bypassing the board of directors and the senior management, conduct tunneling, or otherwise damage the lawful rights and interests of any depositor, the relevant bank or any other shareholder; (3) substantial shareholders of a commercial bank shall establish an effective risk isolation mechanism to prevent risk contagion and transfer among shareholders, the commercial bank and other affiliates; (4) substantial shareholders shall prevent conflict of interest by properly managing nomination of key positions in commercial banks and other related entities, including directors, supervisors or members of the senior management.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

Corporate Governance

The Company Law of the People's Republic of China, Commercial Banking Law and other laws, regulations and regulatory documents provided specific requirements for corporate governance. Among them, the Corporate Governance Guidelines for Banking and Insurance Institutions issued by the former CBIRC on February 2, 2021 and came into effect on the same date requires commercial banks to establish a sound corporate governance system and a clear organizational structure, with management and supervisory powers, functions and responsibilities being clearly split among the board of directors, the board of supervisors and the senior management.

According to the Guidance on the Work of Board of Supervisors of Commercial Banks (《商業銀行監事會工作指引》) issued by the former CBRC on December 24, 2012, employee supervisors and external supervisors shall account for at least one third of the members of the board of supervisors of a commercial bank. According to CBIRC Notice on Promulgation of the Corporate Governance Guidelines for Banking and Insurance Institutions (《中國銀保監會關於印發銀行保險機構公司治理準則的通知》), the number of independent directors shall not be less than one-third of the total number of members of the board of directors, the board of supervisors of a bank or an insurance institution shall have no less than three members, among whom the proportion of employee supervisors shall not be less than one-third, and that of external supervisors shall not be less than one-third.

On November 28, 2022, former CBIRC issued the Measures for the Corporate Governance Supervision and Evaluation of Banking and Insurance Institutions (《銀行保險機構公司治理監管評估辦法》), which stipulates that former CBIRC and its local offices will, based on the judgment and evaluation results of commercial banks on corporate governance and risk management, classify commercial banks into five grades and take different regulatory measures accordingly.

Internal Controls

In accordance with CBIRC Notice on Promulgation of the Corporate Governance Guidelines for Banking and Insurance Institutions (《中國銀保監會關於印發銀行保險機構公司治理準則的通知》), which provided a commercial bank shall establish a sound internal control system, clarify internal control responsibilities, improve internal control measures, strengthen internal control guarantees, and continue to carry out internal control evaluation and supervision.

The Guidelines for the Internal Audit of Commercial Bank (《商業銀行內部審計指引》) issued by the former CBRC on April 16, 2016, which requires commercial banks to establish an audit committee of the board of directors with at least three members, a majority of whom must be independent directors. Commercial banks are also required to establish independent internal audit departments consisting of sufficient internal auditors, who shall in principle represent 1% or more of the bank's total number of employees.

Information Disclosure Requirements

Pursuant to the Measures for the Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》) promulgated and implemented by the former CBRC on July 3, 2007, a PRC commercial bank is required to publish an annual report (including an audited financial statement) within four months of the end of each financial year disclosing its financial position and operational results. The board of directors of the commercial banks shall be responsible for the disclosure of its information. Information disclosure documents include periodical reports, interim reports and other information required by the regulations. The commercial banks shall disclose information via annual reports, website or other methods to facilitate timely access to the disclosed information by the shareholders and other stakeholders. The listed commercial banks shall also disclose information in compliance with the relevant provisions promulgated by the securities regulatory authority.

Related Party Transaction

The Administrative Measures for Related-Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》) promulgated by the former CBIRC on January 10, 2022, and came into effect on March 1, 2022, which provided stringent and detailed requirements on the related party transactions of PRC commercial banks, requires PRC commercial banks to adhere to the principles of good faith, openness and fairness, penetrating identification and clear structure in conducting related party transactions. No banking institution may, directly through interbank, wealth management, off-balance sheet or any other business, provide funds for related parties by breaking through proportion-related restrictions or violating relevant provisions.

No banking institution may accept its own equity as a pledge for credit granting. No banking institution may provide any guarantee (including contingent items equivalent to guarantee) for the financing of a related party, except where the related party provides a full counter-guarantee with bank certificates of deposit or government bonds.

In the case of any loss incurred to a banking institution during credit granting to a related party, no credit may be granted to the related party again within two years from the date on which the loss is identified, unless approved by the board of directors of the banking institution for the purpose of reducing the loss due to credit granting.

RISK MANAGEMENT

Since its inception, the former CBRC has published, in addition to guidelines concerning granting loan and credit to certain specific industries and customers and measures in respect of the implementation of Basel Accords, numerous risk management guidelines and rules in an effort to improve the risk management of PRC commercial banks, including operational risk management, market risk management, compliance risk management, liquidity risk management, information technology risk management and a supervisory rating system. For the guidelines concerning loans and credit to certain specific industries and customers and measures in respect of the implementation of Basel Accords, please see the subsections headed "– Regulation on Principal Commercial Banking Activities – Loan Business" and "– Supervision over Capital Adequacy – Basel Accords". The former CBRC also issued the Core Indicators for Risk-based Supervision of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》) as a basis of supervising the risk management of PRC commercial banks. The former CBRC established requirements for ratios relating to risk levels and risk provisions in the Core Indicators for Risk-based Supervision of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》) and is expected to establish requirements for certain ratios relating to risk mitigation for the purpose of evaluating and monitoring the risks of PRC commercial banks. Please see the subsection headed "– Loan Classification, Allowances and Write-offs – Other Operational and Risk Management Ratios." The former CBRC periodically collects data through off-site surveillance to analyze such indicators and evaluate and issue early warnings of the risks on a timely basis.

REGULATION ON PRINCIPAL COMMERCIAL BANKING ACTIVITIES

Loan Business

The Administrative Measure on Automobile Loans (《汽車貸款管理辦法》) issued by the PBoC and the former CBRC on August 16, 2004 and amended on August 4, 2015 and October 13, 2017 specifies that the term (including the extension period) of automobile loans shall not exceed five years. In particular, the term (including the extension period) of loans for second-hand vehicles shall not exceed three years and the terms of loans to automobile distributors shall not exceed one year.

The Guidelines on the Management of Risks of Real Estate Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the former CBRC on August 30, 2004 specifies that commercial banks shall set forth the risk policies on the real estate loans and the standards for operation and check of different types of loans, clarify the standards for examination and approval of different types of loans, the operational procedures, risk control, after-loan management, and selection of intermediary institutions, etc. Meanwhile, commercial banks are not allowed to grant land reserve loans to any borrower whose capital is not fully contributed or is seriously insufficient or whose management is irregular or grant any form of loans to any projects without the state-owned land use permit, construction land planning permit, planning permit for construction project and construction permit for construction project.

The Guidelines on Project Finance Business (《項目融資業務指引》) promulgated by the former CBRC on July 18, 2009 and became effective on October 18, 2009, specifies that lenders shall require to set the project assets and/or expected return and other rights eligible for mortgage or pledge as guarantees for project finance loans, and if necessary, the equity of project companies held by project sponsors may be set as a pledge guarantee for loans. Lenders shall also require to be the claimants first in line to insurance compensation of the commercial insurance bought for projects or take other measures to effectively control rights of insurance indemnities. Lenders shall negotiate special accounts for project revenues with borrowers, require crediting all project revenues into the specified accounts and make payment to external parties according to the previously agreed terms and methods. Lenders shall conduct dynamic monitoring of project revenue accounts and promptly find out the causes and take corresponding measures in case of unusual capital movements.

The Interim Measures for the Administration of Fixed Asset Loans (《固定資產貸款管理暫行辦法》) promulgated by the former CBRC on July 23, 2009 provides that a lender shall improve the internal control mechanism, exercise management of the whole process of loans, fully know the information about the customers and projects, establish a system for the management of risks of fixed asset loans and an effective mechanism for check and balance of posts, clarify the loan management responsibilities of the concrete departments and posts and establish an evaluation and accountability mechanism for each post. The Measures also requires that commercial banks shall stipulate contents important to the control of loan risks in the contracts with borrowers and other related parties and establish a loan quality monitoring system and a loan risk warning system.

The Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Certain Industries through Financial Services (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》) promulgated by the PBoC, the former CBRC, CSRC and former CIRC on December 22, 2009 provides that for enterprises and projects that comply with the requirements of the plans for restructuring and revitalizing national key industries, meet market entry requirements and conform to the principles of bank credit, credit funds should be guaranteed to be granted in a timely and efficient manner. For projects that fail to comply with national industrial policies, market entry requirements and technical standards, and lack project capital, no credit support shall be provided. For projects in industries with overcapacity, loans shall be strictly examined and approved.

The Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》) promulgated by the former CBRC on February 12, 2010 provides that lenders shall reasonably assess the borrower's working capital needs and prudently determine the total amount of working capital loan funds granted to the borrower and the limit of loan amount, and shall not grant working capital loans in excess of the borrower's actual needs. Commercial banks and borrowers shall clearly stipulate the legal uses of loans. Working capital loans shall not be used for investments in fixed assets, equity investments or fields or purposes where production or operation has been expressly prohibited by the state.

The Interim Measures for the Administration of Personal Loans (《個人貸款管理暫行辦法》) promulgated by the former CBRC on February 12, 2010 provides that personal loan agreements are required to specify the purpose of loan funds. The uses of personal loans shall comply with laws and regulations and relevant state policies. Commercial banks shall not extend personal loans with no designated purpose. Meanwhile, the term and interest rate of personal loans shall comply with relevant state regulations. The lender shall establish a control mechanism for maintaining a reasonable proportion between the borrower's income and the amount used to repay loan, reasonably determine the amount and term of a loan based on the borrower's income, debt, expenditure, uses of loan funds and guarantee status, and make sure that the repayment made by the borrower for each installment is within his ability to repay the loan.

The Guidelines on the Risk Management of Risks of Credits Granted by Commercial Banks to Group Borrowers (《商業銀行集團客戶授信業務風險管理指引》) promulgated by the former CBRC on June 4, 2010 requires that the credit balance of a commercial bank to a single group borrower shall not exceed 15% of its net capital; otherwise, the credit extended will be deemed as having exceeded its risk tolerance capacity. If the credit needs of a group borrower exceed the risk tolerance capacity of a bank, the commercial bank shall take measures to diversify the risks through syndicated loans, loan participation and loan transfer. In line with its prudent regulatory provisions, banking regulatory authorities may lower the ratio of the credit balance of a commercial bank to a single group borrower and net capital.

The Notice of the PBoC and CBRC on Issues Concerning the Improvement of Differentiated Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》) issued by the PBoC and the former CBRC on September 29, 2010 requires all commercial banks to suspend the granting of housing loans to families that purchase the third or more residential properties or to non-local residents who are unable to provide evidence of payments of local tax or social security of more than one year.

The Notice of CBRC on the Publication and Distribution of Green Credit Guidelines (《中國銀監會關於印發綠色信貸指引的通知》) issued by the former CBRC on February 24, 2012 requires banking financial institutions to effectively identify, measure, monitor and control environmental and social risks in the course of their credit business, and to establish the environmental and social risk exposure management systems. Banks are also required to explicitly declare their support and priority areas for green credit, formulate specific guidelines for granting credit facility to restricted industries and industries with material environmental and social risks, carry out flexible differentiated credit granting policies, and implement risk exposure management systems.

The Notice of the General Office of the State Council on Further Regulation and Control of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) issued by the General Office of the State Council on February 26, 2013 prohibits commercial banks from providing loans for new development projects to real estate developers which have illegal and non-compliance conduct such as hoarding idle land and participating in speculative land trading, withholding property units to limit sales and pushing up property prices. Meanwhile, banking financial institutions should enhance borrowers' qualification examination, and investigate the records of family housing registration and borrowers' credit records in strict accordance with provisions and should not grant loans to borrowers who do not comply with credit policies.

On April 9, 2013, the Guiding Opinions on Strengthening the Risk Control and Management of Loans to Local Financing Vehicles in 2013 (《關於加強2013年地方政府融資平台貸款風險監管的指導意見》) was issued by the former CBRC, pursuant to which all banks are required to impose aggregate loan limits on LGFVs and the banking financial institutions as legal persons should not expand the scale of loans to LGFVs. The opinions also require that, for LGFVs with a cash flow coverage ratio lower than 100% or a gearing ratio higher than 80%, the proportion of their loans to the total loans granted by all vehicles of the bank shall not exceed that of the previous year, and the bank shall take measures to gradually reduce disbursements of loans and increase efforts for recovery of loans.

Pursuant to the requirements of the Opinions of the State Council on Strengthening the Administration of Local Government Debts (《國務院關於加強地方政府性債務管理的意見》) issued by the State Council on September 21, 2014, financial institutions shall not provide financing to or seek guarantee from local governments in violation of applicable laws or regulations. Purchasing of bonds issued by local governments by financial institutions shall be in compliance with regulatory provisions. When providing financing to enterprises whose debt may become the government's contingent liabilities, financial institutions shall strictly regulate credit management by practicably enhancing risk identification and risk management. Financial institutions shall undertake on their own any consequential losses incurred as a result of providing financing to governments in violation of applicable laws or regulations, and the relevant authorities and persons shall be held legally liable according to laws and regulations, including the Commercial Banking Law, and the Banking Supervision and Regulatory Law of the People's Republic of China (中華人民共和國銀行業監督管理法).

On September 29, 2014, the PBoC and the former CBRC issued the Notice of the PBoC and the CBRC on Further Improving Housing Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》), which sets the minimum down payment ratio at 30% and the minimum interest rate at 70% of benchmark interest rates on loans for a family purchasing a home for self-use for the first time, with the specific down payment ratio and interest rate to be determined by the banking financial institutions on their own according to their risk conditions. Banking financial institutions should apply the policies for first home buyers to families who already own a residence, have fully repaid the relevant residential mortgage loans, and are applying for a loan to purchase another ordinary commercial residence to improve their living conditions. Furthermore, in cities that have lifted or have not imposed the "restrictions on purchase", where a family that owns two or more residential properties and has repaid in full all relevant loans and applies for a loan to purchase another residential property, banking financial institutions shall prudently determine the down payment ratio and the loan interest rate, taking into account the borrower's ability to make repayment and credit standing.

On January 13, 2015, the former CBRC and the NDRC issued the Notice of the China Banking Regulatory Commission and the National Development and Reform Commission on Issuing the Guidelines for Energy Efficiency Credit (《中國銀監會、國家發展和改革委員會關於印發能效信貸指引的通知》). Pursuant to the notice, banking financial institutions may grant credit to energy efficiency projects invested by energy-consuming entities or contracted energy management projects conducted by energy-saving service companies. Banking financial institutions shall further improve their energy efficiency credit risk management capabilities by multiple means, including (1) specifying the access requirements for energy efficiency projects, energy-consuming entities and energy-saving service companies related to energy efficiency credit; (2) strengthening due diligence on energy efficiency credit and getting a full understanding of the risk evaluation on borrowers; (3) enhancing contracted energy management credit and post-loan management; and (4) establishing credit quality monitoring and risk early warning systems.

Under the latest audited Guidelines on Risk Management of Mergers and Acquisitions Loans for Commercial Banks (《商業銀行併購貸款風險管理指引》) promulgated by the former CBRC on February 10, 2015, the total balance of merger and acquisition loans approved by a commercial bank is subject to a cap of no more than 50% of the net tier-one capital of the bank for the corresponding fiscal period, the balance of merger and acquisition loans approved by a commercial bank to an individual borrower may not exceed 5% of the net tier-one capital of the bank for the corresponding fiscal period, a merger and acquisition loan may not exceed 60% of the merger and acquisition transaction price, and the tenor of merger and acquisition loans may not exceed seven years.

On March 30, 2015, the PBoC, the MOHURD and the former CBRC issued the Notice of the PBoC, MOHURD and the CBRC on Issues Concerning Individual Housing Loan Policies (《中國人民銀行、住房和城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知》), which specifies that for families who already own a residence, but have not fully repaid the relevant residential mortgage loans and are applying for a commercial individual housing loan again to purchase another ordinary residential property to improve their living conditions, the minimum down payment ratio is adjusted to not less than 40%, and the specific down payment ratio and interest rate should be reasonably determined by banking financial institutions according to the borrower's credit standing and ability to make repayment. For a family under housing provident fund scheme which uses entrusted loans under housing provident fund scheme to purchase the first ordinary residential property, the minimum down payment ratio is 20%. For a family under housing provident fund scheme which already owns a residence, has fully repaid the relevant residential mortgage loans and applies for an entrusted loan under housing provident fund scheme again to purchase another ordinary residential property to improve its living conditions, the minimum down payment ratio is 30%.

The Notice of the PBoC and CBRC on Issues concerning Adjustment to the Housing Loan Policies for Individuals (《中國人民銀行、中國銀監會關於調整個人住房貸款政策有關問題的通知》) issued by the PBoC and the former CBRC on February 1, 2016 requires that in cities where "restrictions on purchase" have not been implemented, for families which apply for commercial individual housing loans for the purchase of their first residential property, the minimum down payment ratio is 25% in principle, with downward floating adjustment of 5 percentage points for all regions; if a family owns a residence, but has not fully repaid the relevant residential mortgage loans and applies for a commercial individual housing loan again to purchase another ordinary residential property to improve its living conditions, the minimum down payment ratio has been adjusted to not less than 30%. In cities where "restrictions on purchase" have been implemented, policy on individual housing loans will be implemented according to its original requirements.

On August 31, 2016, the NDRC, the former CIRC, the former CBRC, the CSRC, the Ministry of Environmental Protection, the PBoC and the Ministry of Finance jointly issued the Guiding Opinions on Building a Green Financial System (《關於構建綠色金融體系的指導意見》), which specifies that in respect of programs supported by green credit, application for interest subsidization backed by public finance may be filed according to the provisions. The incorporation of green credit into the macro prudent assessment framework shall be explored, and the results of the appraisal of the implementation of green credit based on key indicators and the results of appraisal of green banks shall be incorporated into the relevant indicator systems as important reference, so as to form an incentive mechanism supporting green credit and other green business, and the restraint mechanism containing loans for industries featuring heavy pollution, high energy consumption and excess production capacity.

On December 1, 2017, the Office of the Leading Group for the Special Campaign against Internet Financial Risks and the Office of the Leading Group for the Special Campaign against Peer-to-peer Lending Risks jointly issued the Notice on the Regulation and Rectification of the "Cash Loan" Business (《關於規範整頓"現金貸"業務的通知》), which specifies that the "cash loan" business that is characterized by no scene support, no designated purpose, no restriction on client group, no mortgage, etc. is exposed to relatively large financial risks and potential social risks. Relevant institutions shall accurately understand the principles for the "cash loan" business. No loans shall be granted to any borrower without income source. A specific upper limit shall be set on the total amount of the principal, interest and expenses of a single loan, and a loan shall generally be renewed for no more than twice. In addition, it further regulates banking financial institutions engaged in the "cash loan" business. When conducting the loan business with third-party institutions, banking financial institutions shall not outsource such core businesses as credit review and risk control. The "loan assistance" business shall return to the origin. Banking financial institutions shall not accept any credit enhancement service, loss-bearing commitment and other credit enhancement services in disguised form provided by any third-party institutions unqualified to provide guarantee and must require and ensure that such third-party institutions shall not charge any interest or fees from the borrowers.

On January 5, 2018, the former CBRC issued the Measures for the Administration of Entrusted Loans of Commercial Banks (《商業銀行委託貸款管理辦法》), which specifies: (1) entrusted loan business is an agency service of a commercial bank. As a trustee, a commercial bank shall not determine the borrowers for the clients, not participate in loan decisions of the clients, not provide guarantee in any form for the entrusted loan, not advance funds to grant the entrusted loan for the clients, not determine the guarantors for the borrowers or advance funds to repay the entrusted loan for the borrowers, or directly or indirectly undertake entrusted loans with credit funds or wealth management funds; (2) a commercial bank shall not accept others' funds under entrusted management, banks' credit funds, various special funds for specific purposes (save as otherwise specified by relevant departments of the State Council), other debt funds (save as otherwise specified by relevant departments of the State Council) and funds of which the sources cannot be proven, to grant entrusted loans, except for funds raised from issuance of bonds by a business group and used in the group; (3) the funds shall not be used for production, operation or investment in fields and for purposes prohibited by the state, not be used for investments in bonds, futures, financial derivatives and asset management products, etc., not be used as registered capital or for registration and capital verification and not be used for equity capital investment or capital and share increase, etc. (save as otherwise specified by regulatory authorities), nor shall the funds be used for other purposes in violation of regulatory provisions; (4) commercial banks shall set up a sound entrusted loan management information system to ensure the business information is complete, continuous, accurate and traceable; (5) a commercial bank shall not accept any entrusted loan application from a client which is a financial assets management company or an institution engaging in loan business; (6) a commercial bank shall not divert the funds of one client to another.

Internet Finance

On July 12, 2020, the former CBIRC promulgated the Interim Measures for Administration of Internet Loans Issued by Commercial Banks (《商業銀行互聯網貸款管理暫行辦法》), which requires local corporate bank engaging in internet loan business shall mainly serve local customers, prudently conduct cross-jurisdiction business beyond its place of registration, and effectively identify and monitor the development of its cross-jurisdiction business, except those who have no physical business outlet and carry out business mainly online while meeting other conditions prescribed by the former CBIRC. Where a branch is established in any other province (autonomous region or municipality directly under the Central Government), business provided for customers within the administrative region where the branch is located shall not be identified as cross-jurisdiction business beyond the place of registration as mentioned in the preceding paragraph.

Furthermore, the former CBIRC issued the Circular of the General Office of the China Banking and Insurance Regulatory Commission on Further Regulating the Internet Loan Business of Commercial Banks (《中國銀保監會辦公廳關於進一步規範商業銀行互聯網貸款業務的通知》) provides that (1) a commercial bank issues internet loans with funds contributed jointly with any partner institution, it shall strictly apply the requirement for the management of the range of the fund contribution rate, and the rate of the fund contribution by the partner in a single loan issued shall not be less than 30%; (2) Where a commercial bank issues internet loans with funds contributed jointly with any partner institution, the balance of loans issued by it jointly with a single partner (including its related parties) shall not exceed 25% of the bank's net Tier 1 capital; (3) The balance of all internet loans issued by a commercial bank with funds contributed jointly with its partner institutions shall not exceed 50% of the balance of all of the loans issued by the bank; (4) Local incorporated banks engaged in the internet loan business shall serve local customers and are not allowed to conduct the internet loan business beyond the local administrative area of their registered place, except those who have no physical business outlet, conduct business primarily online as well as meet the other conditions prescribed by the former CBIRC.

Insurance Agency Business

On August 23, 2019, the General Office of the former CBIRC published the Administrative Measures on Insurance Agency Business of Commercial Banks (《商業銀行代理保險業務管理辦法》) (the "Insurance Agency Business Measures"), which became effective from October 1, 2019 and repeals several rules promulgated by the CBRC and/or CIRC regulating the insurance agency business of commercial banks. According to this Insurance Agency Business Measures, commercial banks operating insurance agency business shall obtain license from the former CBIRC or its local offices and shall strictly abide by the prudent operation rules. The sum of premiums for accident insurance, health insurance, term insurance, whole life insurance, annuity insurance with a period of no less than 10 years, endowment insurance with a period of no less than 10 years, property insurance (excluding investment linked insurance of property insurance companies) shall not be less than 20% of the total premiums of insurance agency business. Commercial banks engaging in insurance agency business shall comply with the rules and regulations in relation to the retrospective administration of insurance sales.

Wealth Management Business

On April 27, 2018, the PBoC, former CBIRC, CSRC and SAFE jointly issued the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) (the "April 27 Guideline"). The April 27 Guideline clearly states that, to regulate the asset management business of financial institutions, the regulators should stick to the bottom line of strict risk control, the fundamental goal of serving the real economy, the concept of combining macro-prudential management with microprudential regulation and combining institutional regulation with functional regulation, target problem orientation and the basic principles of activeness, prudence and caution, achieve comprehensive and unified regulation of the asset management business of various financial institutions, ensure fair market access and regulation, minimize regulatory arbitrage space, and effectively protect the legitimate rights and interests of financial consumers. Financial institutions should abstain from providing implicit guarantees to investors and instead communicate the importance of investors' responsibility and self-accountability. It is worth noting that the April 27 Guideline has clear provisions on the following:

(1) The core elements of standard credit assets. Standard credit assets are characterized by equipartition, tradability, adequate information disclosure, centralized registration, independent trusteeship, fair pricing, and perfect liquidity mechanism, and are traded at interbank market, securities exchange market and other trading markets established with the approval of the State Council. The specific rules for defining standard credit assets shall be formulated by the PBoC and the financial regulatory authorities. Credit assets other than standard credit assets are nonstandard credit assets.

(2) Investment scope of public offering products. It is specified in the April 27 Guideline that public offering products are mainly invested in standard credit assets and publicly traded stocks and shall not be invested in the equity of unlisted enterprises except as otherwise stipulated by laws, regulations and financial management departments. If permitted by laws, regulations and financial management departments, public offering products can be invested in commodities and financial derivatives.

(3) Identification of implicit guarantee. The following behaviors are regarded as implicit guarantee: (i) the issuer or manager of asset management products guarantees the principal and return of products in violation of the principle of determining net value based on real fair value; (ii) the principal and return of products are guaranteed through rolling issuance so that the principal, return and risks of asset management products are transferred from one investor to another; (iii) when the asset management products cannot be redeemed as scheduled or it is difficult for them to be redeemed, the financial institution issuing or managing the products raises funds by itself for redemption or entrusts other institutions with redemption; and (iv) other behaviors specified by the financial management departments.

(4) Net asset value measurement. Financial institutions shall measure asset management products on net asset value basis. Generation of net asset value shall comply with the Accounting Standards for Business Enterprises, timely reflect the return and risks of the underlying financial assets, be accounted by the trustee agency which then provides a report regularly, and be audited and confirmed by an external audit agency. The audited financial institution should disclose the audit results and submit them to the financial management departments. The principle of fair value measurement should be followed for financial assets and market value measurement is also encouraged.

(5) Limitations on multi-layer product structure. It is specified in the April 27 Guideline that asset management products can be further invested in asset management products, but the asset management products they invest cannot be reinvested in asset management products other than public offering securities investment funds.

(6) Leverage ratio. The leverage of asset management products falls into two categories: debt leverage and graded leverage; regarding debt leverage, the April 27 Guideline sets a maximum debt ratio (total assets/net assets) of 140%, 200%, 140% and 200% respectively for asset management products of open public offering, closed public offering, graded private offering and other private offerings, and prohibited financial institutions from using shares of products under entrusted management for collateral financing. Regarding graded leverage, the April 27 Guideline prohibited share grading of public offering products and open private offering products. For closed private offering products that can be graded, the grading ratio (priority shares/inferior shares) must not exceed 3:1 for fixed income products, 1:1 for equity products, and 2:1 for commodity and financial derivative products and mixed products.

On September 26, 2018, the former CBIRC promulgated Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks (《商業銀行理財業務監督管理辦法》), which provides that (1) commercial bank that sells wealth management products shall not publicize or promise the guarantee of principal and proceeds; (2) commercial bank shall conduct the wealth management business through a subsidiary company with the independent legal person status. If the conditions are not met for the time being, the head office of the commercial bank shall set up a specialized department for the wealth management business to exercise centralized and unified management of the wealth management business; (3) there is a transitional period which lasts from the date when Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks comes into force to the end of 2020. During the transitional period, the new wealth management products issued by a commercial bank shall comply with the provisions of Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks, and for existing wealth management products, the commercial bank may issue former products for transition with immature assets invested by existing wealth management products, but it shall strictly restrict the products to the overall size of existing products and reduce them in an orderly manner.

Bills Acceptance Business

According to relevant provisions of the Law of the People's Republic of China on Commercial Banks (Amended in 2015) (《中華人民共和國商業銀行法(2015年修正)》), in respect of the settlement businesses of commercial banks, including the acceptance and discounts on bills, remittance bills and entrusted fund collection, commercial banks shall make payments on the bills according to the term as required and keep records for all payments and receipts of funds in their books. Commercial banks may not delay or refuse to pay under the bills in violation of the terms of the bills. Commercial banks' policies regarding the time limits for the payment and collection of bills shall be published.

Interbank Business

On April 24, 2014, the PBoC, the former CBRC, CSRC, the former CIRC and SAFE jointly promulgated the Notice on Regulating Interbank Businesses of Financial Institutions (《關於規範金融機構同業業務的通知》), which sets out certain requirements in connection with regulating interbank business operations:

(1) the Notice defines and regulates interbank financing and investment businesses, including interbank lending, interbank deposits, interbank borrowing, interbank payments, financial assets held under resale agreements or financial assets sold under repurchase agreements. The Notice also requires that interbank businesses (with investment and financing being the core businesses) should be classified into different categories in accordance with business substance, and different interbank businesses should be managed based on the classification;

(2) financial assets held under resale agreements (and financial assets sold under repurchase agreements) shall only include bank acceptance bills, bonds, treasury bills and other types of financial assets with a reasonable fair value and high liquidity that are traded on the interbank market or securities exchange market; the party who sells financial assets under repurchase agreements shall not exclude the financial assets under the business from the balance sheet;

(3) financial institutions that engage in the business of financial assets held under resale agreements (and financial assets sold under repurchase agreements) and interbank investment business shall not accept or provide any direct or indirect, explicit or implicit credit guarantee from or for any third-party financial institutions, except as otherwise permitted by the state;

(4) financial institutions shall accurately measure risks and set aside capital and make provisions pursuant to the principle of "substance over form" and based on the nature of the underlying assets invested;

(5) financial institutions shall determine the financing term in a reasonable and prudent manner in interbank business. The term of interbank borrowing shall not exceed three years and the term of other interbank financing business shall not exceed one year, and such terms must not be extended beyond their maturity;

(6) the net balance of interbank funds (excluding interbank deposits for settlement purposes) placed by a single commercial bank to another financial institution as a legal person after deducting assets with zero risk-weighting shall not exceed 50% of the bank's tier-one capital and the balance of interbank funds borrowed by a single commercial bank shall not exceed one third of its total liabilities, which temporarily do not apply to the provincial rural credit cooperatives, secondary credit cooperatives with legal status and rural banks;

(7) financial institutions engaging in interbank business should establish a sound and compatible risk management system and internal control system and adopt correct methods of accounting treatments.

On May 8, 2014, the General Office of the former CBRC issued the Notice on the Regulation of the Management of Interbank Business Conducted by Commercial Banks (《關於規範商業銀行同業業務治理的通知》), which requires commercial banks to establish a management system for interbank businesses based on the scale and complexity of the interbank businesses conducted, conduct all interbank businesses through specialized departments by the end of September 2014, and report the reform plans and implementation progress to the CBRC and its agency. The specialized departments shall not authorize other departments or branches to handle interbank businesses for which electronic transaction can be conducted via the financial trading market, including interbank lending, bonds held under resale agreements or bonds sold under repurchase agreements and negotiable certificates of deposit. For interbank businesses for which electronic transaction cannot be conducted via the financial trading market, the specialized department for interbank business of a commercial bank may authorize other departments or branches to handle operational matters such as marketing, inquiry, project promotion and customer relationship maintenance. However, the specialized department for interbank business shall gradually approve the counterparty, amount, term, pricing and contract, conduct centralized accounting treatment and bear sole risk responsibilities. A commercial bank shall establish a sound license management system, credit management policies and a counterparty access mechanism for interbank businesses.

Business between Banks and Trust Companies

On August 5, 2010, the former CBRC issued the Notice on Regulating the Relevant Matters on Wealth Management Cooperation between Banks and Trust Companies (《關於規範銀信理財合作業務有關事項的通知》), which specifies that the term of a trust product of a trust company which conducts bank-trust wealth management cooperation shall not be less than one year and requires commercial banks and trust companies to comply with the following requirements in conducting financing-type bank-trust wealth management cooperation: (1) implement balance ratio management on the financing-type bank-trust wealth management cooperation, i.e. the balance of financing business shall not exceed 30% of the balance of bank-trust wealth management cooperation; (2) trust companies shall not design open trust products. Funds for the investment-type bank-trust wealth management cooperation shall, in principle, not be invested in shares of non-listed companies.

On January 13, 2011, the former CBRC promulgated the Notice on Further Regulating the Wealth Management Cooperation between Banks and Trust Companies (《關於進一步規範銀信理財合作業務的通知》), according to which, the commercial banks shall transfer the off-balance sheet assets concerning bank-trust wealth management cooperation into their balance sheets by the end of 2011. Detailed transfer plans should be submitted to the former CBRC or its provincial offices before January 31, 2011. In principle, the bank-trust cooperation loan balances should be reduced by at least 25% quarterly. Trust companies should not draw dividends if the trust compensation reserves fall below 150% of the non-performing bank-trust loans or 2.5% of the total balance of bank-trust loans.

On November 22, 2017, the former CBRC issued the Notice on Regulating the Bank-Trust Business (《關於規範銀信類業務的通知》), according to which, (1) commercial banks shall, in the bank-trust business, include the business with credit risks actually assumed by commercial banks in uniform credit management and carry out the regulatory requirements for the credit concentration ratio under the principle of substance over form; (2) commercial banks shall categorize the bank-trust business of which the credit risks are actually assumed by them, categorize risks according to the risk status of underlying assets under the penetration management requirements, and accurately calculate and withdraw capital and make provision in light of the nature of underlying assets; (3) with respect to bank-trust channel business, commercial banks shall (i) monitor risk based on business substance, (ii) not use trust channels to conceal risks or to circumvent prohibitive regulations on use of funds, classification of assets, reserve provisions and capital occupation, and (iii) not falsely take advantage of channels to place assets off-balance sheet; (4) regarding bank-trust business, commercial banks shall manage trust companies based on a name-list system and prudently select counterparties after fully considering the risk management level and professional investment capacity of trust companies; (5) when conducting bank-trust business, commercial banks shall not illegally invest the trust funds in real estate, LGFVs, stock market, overcapacity and other restricted or prohibited fields.

Electronic Banking

To strengthen the security and risk management of electronic banking business, the former CBRC promulgated the Administrative Measures Regulating the Electronic Banking Business (《電子銀行業務管理辦法》) and Security Evaluation Guidelines on Electronic Banking (《電子銀行安全評估指引》) on January 26, 2006 and December 6, 2006, respectively. All banking institutions applying to establish an electronic banking business should have comprehensive risk management and internal control systems. Banking institutions are not permitted to have major accidents relating to their primary information management system and operations processing system in the year immediately prior to the submission of their application. In addition, all banking institutions conducting electronic banking business must adopt security measures to ensure the confidentiality of information and to prevent the unauthorized use of electronic banking accounts.

The former CBRC promulgated the Notice on Enhancing the Management of Customer Information of Electronic Banking (《關於加強電子銀行客戶信息管理工作的通知》) on August 9, 2011, which stresses the importance of commercial banks to be committed to the work concerning the security and confidentiality of customer information. Without customers' authorization, commercial banks may not directly or indirectly provide third-party organizations with the customers' names, types of certificates, certificate numbers, mobile phone numbers, fixed-line telephone numbers, correspondence addresses and other sensitive information of customers.

The Administrative Measures on Bankcard Acquiring Services (《銀行卡收單業務管理辦法》) ("Measures on Bankcard Acquiring") promulgated by the PBOC on July 5, 2013 came into force on the same day. According to the Measures on Bankcard Acquiring, bankcard acquiring business refers to the activities that bankcard acquirers provide specially engaged commercial businesses with transaction funds settlement services after the specially engaged merchants acquire bankcards and conclude transactions with related cardholders based on the bankcard acceptance agreement signed between the bankcard acquirers and the specially engaged merchants. The bankcard acquirers include payment institutions which provide offline merchants with bankcard acceptance and settlement services under Payment License of bankcard acquiring as well as payment institutions which provide internet merchants with bankcard acceptance and settlement services under Payment License of network payment. The Measures on Bankcard Acquiring requires the bankcard acquirers to conduct real-name management of the merchants and to follow the principle of "know your client".

On October 26, 2020, the PBOC issued the "Notice of the People's Bank of China on Regulating the Collection Business", which became into effect on April 26, 2021, requiring the account opening agency and the collecting agency of the payer in the collection business shall process the information in accordance with the principles of legality, justness and necessity, and necessary measures shall be taken to ensure information security and prevent information from being leaked, tampered with or lost.

Regulations on Barcode/QR Payment Business Standard

According to the Rules for the Barcode Payment Business Standard (Trial) (《條碼支付業務規範(試行)》) (the "Rules") issued by the PBOC on December 25, 2017, which came into force on April 1, 2018, it is expressly stipulated that the barcode/QR payment business refers to business activities where banking financial institutions or non-bank payment institutions apply barcode/QR technologies to realize the transfer of monetary funds between the payers and payees, including payment code scanning and receipt code scanning. All barcode/QR code transactions will be settled via a clearing system supervised by the PBOC. The Notice on Regulating Innovative Payment Services (中國人民銀行關於規範支付創新業務的通知), promulgated by the PBOC with immediate effect on December 13, 2017, also put forward some targeted regulatory requirements for banks and non-bank payment institutions to carry out payment innovation business.

On October 12, 2021, the PBOC issued the "Circular of the People's Bank of China on Strengthening the Administration of Payment Acceptance Terminals and Related Business" (中國人民銀行關於加強支付受理終端及相關業務管理的通知), which became into effect on March 1, 2022, further standardizing relevant business management, protecting the legitimate rights and interests of financial consumers, and preventing payment business risks. The Circular focuses on the comprehensive supervision of payment acceptance terminals, authorized clients management, and acquiring business monitoring.

Proprietary Investments

In general, commercial banks in the PRC are prohibited from making domestic investments other than in debt instruments issued by the Chinese government and financial institutions, short-term commercial papers, medium-term notes, corporate bonds, corporate debts, and asset securitization products issued by qualified non-financial institutions, and certain derivative products. According to relevant provisions of the Law of the People's Republic of China on Commercial Banks (Amended in 2015) (《中華人民共和國商業銀行法(2015年修正)》), unless approved by the Chinese government, commercial banks in the PRC are prohibited from engaging in trust investment and securities businesses, or investing in real estate (other than for their own use) or non-banking financial institutions and enterprises.

Financing to Small and Micro Enterprises

On July 23, 2014, the former CBRC promulgated the Notice on Improving and Innovating Loan Services for Small and Micro Enterprises and Enhancing Financial Services for Small and Micro Enterprises (《關於完善和創新小微企業貸款服務提高小微企業金融服務水平的通知》), requiring banking financial institutions to reasonably determine the term of working capital loans for small and micro enterprises, enrich and improve the working capital loan products for small and micro enterprises, actively innovate the service modes of working capital loans for small and micro enterprises, scientifically and accurately classify loan risks and improve risk management and financial services.

On October 31, 2014, the State Council issued the Opinions of the State Council on Supporting the Sound Development of Small and Micro Enterprises (《國務院關於扶持小型微型企業健康發展的意見》), which encourages and guides banks to focus on supporting small and micro enterprises as well as regional economic development, and requests banking financial institutions to separately list credit plans for small and micro enterprises subject to commercial sustainability and effective risk control.

On June 22, 2015, the former CBRC issued the Notice on Further Implementing Financial Service Supervising Policy of Small and Micro Enterprises (《關於進一步落實小微企業金融服務監管政策的通知》), which proposes certain requirements on adhering to the problem oriented principle, ensuring the implementation of policies, clarifying the emphasis of supports, increasing the input of credit and loan, advancing the innovation of loan services, expanding the scope of autonomous refinancing, improving tolerance indicator of nonperforming assets, strengthening differentiated assessment, optimizing the allocation of internal resources, improving the service ability, strictly implementing the "two prohibitions and two restrictions" and standardizing service charge for the purpose of implementing each supporting policy and continually improving and deepening financial service to small and micro enterprises.

On March 4, 2019, the CBIRC issued the Notice by the General Office of China Banking and Insurance Regulatory Commission on Further Improving the Quality and Effect of Financial Services for Small and Micro Enterprises in 2019 (《中國銀保監會辦公廳關於2019年進一步提升小微企業金融服務質效的通知》), which stipulates that banking financial institutions shall always maintain strategic focus, strengthen support for key fields of inclusive finance, pay particular attention to relatively weak groups among small and micro enterprises and the effective credit demand, strive to achieve the goal of "two-sphere increase and two-sphere control", continue to maintain the statistical monitoring of comprehensive loans to small and micro enterprises, further increase the proportion of banking credit to the total financing of small and micro enterprises, and generally drive down the financing costs of small and micro enterprises.

On April 6, 2022, former CBIRC has issued a Circular of the General Office of the China Banking and Insurance Regulatory Commission on Further Increasing Financial Support for the Development of Small and Micro Enterprises in 2022 (中國銀保監會辦公廳關於2022年進一步強化金融支持小微企業發展工作的通知), which requires the financial institutions continuously improve the financial supply for small and micro enterprises, deepen supply side structural reform and improve the efficiency of credit resource allocation, strengthen financial support for small and micro enterprises in key areas and weak links, strengthen the professional mechanism for serving small and micro enterprises and enhance their comprehensive financial service capabilities, promote the strengthening of credit information sharing applications and promote financing for small and micro enterprises.

Large Denomination Certificates of Deposit

On June 2, 2015, the PBoC issued the Interim Measures for the Administration of Large-Denomination Certificates of Deposit (《大額存單管理暫行辦法》) to regulate the development of the business of large-denomination certificates of deposit, enlarge the market-oriented pricing range of deposit-taking financial institutions' debt-based products, and advance the market-oriented reform of interest rate in an orderly manner. The market interest rate pricing self-regulatory mechanism shall be determined by banks, so as to determine the interest rate and rules for interest accrual of large-denomination certificates of deposit according to market conditions. The market interest rate pricing self-regulatory mechanism also promulgated the Implementation Provisions of Management of Large Denomination Certificates of Deposit (《大額存單管理實施細則》) on June 2, 2015.

The above Measures and Implementation Rules require that a deposit-taking financial institution (the "**Issuer**") shall: (1) be a member entity of the national market interest rate pricing self-regulatory mechanism; (2) have formulated its own measures for the administration of large-denomination certificates of deposit, and established a management system for the business of large-denomination certificates of deposit; (3) meet other conditions required by the PBoC. To issue large-denomination certificates of deposit, the deposit-taking financial institution shall submit its annual issue plan to the PBoC for filing prior to the first issue in each year. For any adjustment to the annual issue plan, the deposit-taking financial institution shall refile with the PBoC. To issue large-denomination certificates of deposit, the Issuer shall, before the first issue of large-denomination certificates of deposit each year, register the annual issuance quantity with the National Interbank Funding Center, and the annual issuance quantity shall be consistent with the quantity specified in the annual issue plan filed with the PBoC. The quantity to be issued every time shall not exceed the annual quantity approved. Large-denomination certificates of deposit may be used to handle pledge business, including but not limited to pledge loans and pledge financing. The interest rate of large-denomination certificates of deposit shall be determined in a market-oriented manner. While the fixed-rate certificates of deposit shall be calculated at the nominal annualized return rate, floating-rate certificates of deposit shall be calculated at the floating rate of Shanghai interbank offered rate.

PRICING OF PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

In accordance with Commercial Banking Law, commercial banks shall determine the interest rates for deposits and loans within the range of the interest rates for deposits and loans set by the PBoC. In recent years, the PBoC has gradually liberalized its regulation of interest rates, allowing banks more flexibility to determine the interest rates for RMB-denominated loans and deposits.

On July 20, 2013, the PBoC comprehensively relaxed the control on the loan rate of financial institutions (housing mortgage interest rate not included).

On September 29, 2014, the PBoC and the former CBRC stipulated that the policies for first home buyers should apply if a family already owned a residence, had fully repaid the relevant residential mortgage loans, and applied for a loan to purchase another ordinary commercial residence to improve its living condition.

Since October 24, 2015, the PBoC had removed the cap on interest rates for deposits and allowed PRC commercial banks to set interest rates for deposits based on commercial considerations.

On August 16, 2019, the PBoC promulgated the Announcement No. 15 [2019] of the People's Bank of China (《中國人民銀行公告[2019]第15號》), which provides that from August 20, 2019, the PBoC shall authorize the National Inter-bank Funding Center to announce the LPR based on the interest rate for open market operations on the 20th day of each month. Commercial banks shall set new loan rate with reference to the LPR, and adopt LPR as the basis for pricing the floating interest rate.

Pricing for Fee and Commission-based Products and Services

The former CBRC and NDRC jointly promulgated the Administrative Measures on Pricing of Commercial Banking Services (《商業銀行服務價格管理辦法》) on February 14, 2014, which provides that the pricing of basic banking services that are extensively used by customers and have a significant bearing on the development of the national economy and people's livelihood shall be guided or determined by the government. Other than those services the pricing for which are guided or determined by the government, for commercial banking services which are priced based on market conditions, the bank is required to make public such prices at least three months prior to the implementation of such prices in accordance with the Administrative Measures on Pricing of Commercial Banking Services (《商業銀行服務價格管理辦法》).

On June 30, 2017, the NDRC and the former CBRC jointly issued the Notice on Canceling and Suspending the Charges for Some Basic Financial Services Provided by Commercial Banks (《關於取消和暫停商業銀行部分基礎金融服務收費的通知》), according to which inter-city cash withdrawal commissions for individuals within a bank shall be canceled and commercial banks shall suspend the service fees, fees for reporting of a loss and costs of production for promissory notes and bank drafts.

ANTI-MONEY LAUNDERING REGULATION

The PRC Anti-money Laundering Law (《中華人民共和國反洗錢法》), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including formulating anti-money laundering rules and regulations for financial institutions and requires financial institutions to establish sound internal control systems regarding anti-money laundering.

In accordance with the Anti-money Laundering Regulations for Financial Institutions (《金融機構反洗錢規定》) promulgated by the PBoC on November 14, 2006, PRC commercial banks are required to establish specific bodies for anti-money laundering or designate internal bodies to be responsible for anti-money laundering work. Over the same period, the PBoC promulgated the Administrative Measures for the Financial Institutions' Report of Large-Sum Transactions and Doubtful Transactions (《金融機構大額交易和可疑交易報告管理辦法》) (reamended on December 28, 2016 and July 26, 2018) pursuant to which upon the detection of any suspicious transactions or transactions involving large amounts, commercial banks are required to report the transactions to the China Anti-money Laundering Monitoring & Analysis Center. Where necessary and pursuant to appropriate judicial proceedings, commercial banks are required to cooperate with government authorities in preventing money laundering activities and in freezing assets. The PBoC supervises and conducts on-site examinations of commercial banks' compliance with anti-money laundering laws and regulations and may impose penalties for any violations thereof in accordance with the PRC Anti-money Laundering Law and Anti-money Laundering Regulations for Financial Institutions.

On January 19, 2022, the PBoC, the former CBIRC, CSRC jointly issued the Administrative Measures for the Customer Due Diligence Investigation and Retention of Customer Identity Information and Transaction Records by Financial Institutions (《金融機構客戶盡職調查和客戶身份資料及交易記錄保存管理辦法》), pursuant to which commercial banks are required to establish and improve internal control systems for customer due diligence investigation and retention of customer identity information and transaction records. A financial institution shall make unified arrangements for customer due diligence investigation and retention of customer identity information and transaction records at the headquarter level, and formulate anti-money laundering and anti-terrorist financing information sharing systems and procedures to ensure the effective implementation of customer due diligence investigation and money laundering and terrorist financing risk management.

On November 15, 2014, the PBoC promulgated the Measures for the Supervision and Administration of Anti-Money Laundering and Counter-terrorism Financing by Financial Institutions) (《金融機構反洗錢和反恐怖融資監督管理辦法》). Pursuant to the measures, financial institutions shall, in accordance with relevant provisions and taking into account relevant requirements of the internal control system and risk management mechanism, perform their obligations of customer due diligence, retention of customer identification data and transaction records, large-value and suspicious transaction reporting, as well as other obligations.

On September 29, 2018, the PBoC promulgated the Circular on Issuing the Money Laundering and Terrorist Financing Risk Management Guidelines for Corporate Financial Institutions (for Trial Implementation) (《關於印發<法人金融機構洗錢和恐怖融資風險管理指引(試行)>的通知》), stipulating that a corporate financial institution shall establish a money laundering risk management structure with sound organizations, complete structure and clear duties, standardize the division of duties in money laundering risk management among the board of directors, the board of supervisors, the senior management, business departments, the anti-money laundering management department, the internal audit department, the human resources department, the information technology department, domestic and overseas branches and related affiliates, and establish an operational mechanism with clear layers, coordination and effective cooperation.

On January 29, 2019, the former CBIRC promulgated the Measures for the Administration of Anti-money Laundering and Anti-terrorist Financing by Banking Financial Institutions (《銀行業金融機構反洗錢和反恐怖融資管理辦法》), stipulating that local offices of the banking regulatory authorities under the State Council are responsible for the supervision and administration of anti-money laundering and anti-terrorist financing by banking financial institutions within their respective jurisdiction according to laws, administrative regulations and the Measures. Banking financial institutions are required to establish and improve a risk management system for money laundering and terrorist financing, comprehensively identify and evaluate the money laundering and terrorist financing risk they face and adopt policies and procedures corresponding to the risks. Besides, banking financial institutions are required to incorporate the management of the risks of money laundering and terrorist financing into a comprehensive risk management system, and embed the requirements for anti-money laundering and anti-terrorist financing into the compliance management and internal control system to ensure that the risk management system for money laundering and terrorist financing may completely cover various products and services.

SUPERVISION OVER CAPITAL ADEQUACY

Latest Supervisory Standards Over Capital Adequacy

On June 7, 2012, the former CBRC promulgated the Capital Administrative Measures (Provisional) (effective on January 1, 2013), which was replaced on January 1, 2024 with New Capital Management Regulations according to which capital adequacy ratios of commercial banks are calculated according to the following formulae:

$$\text{(1) Capital adequacy ratio} = \frac{\text{(Total capital − corresponding capital deductions)}}{\text{risk-weighted assets}} \times 100\%;$$

$$\text{(2) Tier-one capital adequacy ratio} = \frac{\text{(Tier-one capital − corresponding capital deductions)}}{\text{risk-weighted assets}} \times 100\%;$$

$$\text{(3) Core tier-one capital adequacy ratio} = \frac{\text{(Core tier-one capital − corresponding capital deductions)}}{\text{risk-weighted assets}} \times 100\%;$$

Regulatory Requirements in respect of Capital Adequacy Ratios

In 2017, the Basel Committee issued the final plan of Basel III (referred to as "**New Basel III**"), which established a new benchmark for international banking supervision. In 2023, the NAFR amended the capital management rules of commercial banks to reflect the foregoing changes, and the New Capital Management Regulations was came into effect on January 1, 2024. The New Capital Management Regulations have comprehensively revised the Capital Administrative Measures (Provisional), a transition period has been set up. The transitional arrangements include the following two aspects: first, a two-year transition period will be set for the loss provisions included in the net capital, during which the minimum requirements for non-credit asset loss provisions will be gradually increased to promote commercial banks to reasonably increase loss provisions and smooth the impact on net capital; second, a five-year transition period will be set for information disclosure, during which commercial banks will apply different information disclosure requirements based on their classification, systemic importance, and whether or not listed.

The main revisions of the New Capital Management Regulations include: (1) establishing a differentiated capital regulatory system based on the banks' size and business complexity; (2) revising and reconstructing the risk-weighted asset measurement rules; (3) improving and adjusting supervision and inspection regulations; and (4) comprehensively upgrading the standards and content for information disclosure.

The New Capital Management Regulations divide commercial banks into three tiers based on adjusted on-and-off balance sheet assets and overseas claims and debt; the three tiers face different requirements for capital ratios, risk weights and disclosure. Banks with a large asset size or significant cross-border business activity are classified as Tier 1; Banks with relatively smaller asset and cross-border business sizes are classified as Tier 2; Banks with assets of less than RMB10 billion each are classified as Tier 3. Tier 1 banks and Tier 2 banks will face the same set of capital ratios and risk weights requirements, but Tier 1 banks are required to make more detailed and comprehensive disclosures regarding capital and risks. For the Tier 3 banks, the "Capital Regulatory Provisions for Third-Tier Commercial Banks" (《第三檔商業銀行資本監管規定》) has been formulated separately.

Tier	**Criteria**
Tier 1 bank	(1) Consolidated adjusted on-and-off balance sheet assets exceed RMB500 billion, or (2) Overseas claims and debt exceed RMB30 billion and account for at least 10% of consolidated on-and-off balance sheet assets
Tier 2 bank	(1) Consolidated adjusted on-and-off balance sheet assets exceed RMB10 billion, or (2) Overseas claims and debt exceed RMB0.
Tier 3 bank	Consolidated adjusted on-and-off balance sheet assets are less than RMB10 billion and overseas claims and debt equal 0.

	Tier 1 bank	**Tier 2 bank**	**Tier 3 bank**
capital adequacy ratio	(1) core tier-one capital adequacy ratio shall not be lower than 5%; (2) tier-one capital adequacy ratio shall not be lower than 6%; and (3) capital adequacy ratio shall not be lower than 8%.		(1) Tier 3 banks are not required to calculate the tier-one capital adequacy ratio. (2) tier-one capital adequacy ratio shall not be lower than 7.5%; and (3) capital adequacy ratio shall not be lower than 8.5%.

	Tier 1 bank	Tier 2 bank	Tier 3 bank
capital reservation buffer requirement	2.5% of risk-weighted assets		not required to accrue
countercyclical capital	shall be separately stipulated by the PBOC together with NAFR		not required to accrue
additional capital requirement for systematically important banks	shall be separately stipulated by the PBOC together with NAFR		N/A

With respect to the credit risk-weighting method, the New Capital Management Regulations reclassify credit risk asset categories with reference to the New Basel III, specifying credit risk exposures, from the original 12 credit risk asset categories to 19, adding, refining, and adjusting the risk weights for some risk exposures. For example, (i) the New Capital Management Regulations will relax the risk weights on corporate exposures and continue to encourage banks to increase lending to SMEs. While general corporate exposures will still be assigned a 100% risk weight, the New Capital Management Regulations allow a 75% risk weight for "investment grade" corporate exposures. Compared to the Capital Administrative Measures (Provisional) which only carve out small and micro companies from general corporates and assign them with a risk weight of 75%, the New Capital Management Regulations also carve out medium corporates, and assign a risk weight of 85% for small and medium corporates, and 75% for micro corporates; (ii) the New Capital Management Regulations have a separate set of risk weights for property exposures, which are stricter than the Capital Administrative Measures (Provisional). While the lending to property developers is included in general corporate exposure and should be assigned a risk weight of 100% under the Capital Administrative Measures (Provisional), the New Capital Management Regulations will only allow a 100% risk weight for "prudent" property development loans and require a 150% risk weight for other property development loans. Unlike the Capital Administrative Measures (Provisional) which assign a 50% risk weight for all residential mortgage loans, the New Capital Management Regulations differentiate the risk weights based on loan-to-value ratios and whether the repayment will rely on cashflow generated from the property (e.g., the rent).

Compared to the Capital Administrative Measures (Provisional), there are no significant changes in the structure and core content of the New Capital Management Regulations regarding the provisions of supervision and inspection. However, the New Capital Management Regulations refine and supplement this part based on international standards and the latest domestic regulatory requirements. Specifically, it (1) improves the internal capital adequacy assessment procedures from aspects such as risk governance, risk assessment, capital planning and management, stress testing, monitoring and reporting, and information management system construction; (2) clarifies that capital requirements should be based on the minimum capital requirements, reserve capital, countercyclical capital requirements, and additional capital requirements for systemically important banks, as well as introducing a minimum profit retention ratio requirement.

Regarding the requirements of information disclosure, the New Capital Management Regulations have structured a differentiated information disclosure system based on the specific situation of commercial banks, including their classification, domestic systemic importance, and whether or not listed.

Under the New Capital Management Regulations, the Group has been classified as a Tier 2 bank, with capital measurement rules being relatively simplified, which facilitates the improvement of the Group's capital adequacy ratio, when compared with the Capital Administrative Measures (Provisional), the New Capital Management Regulations and their effects on the Group can be mainly reflected in the following aspects:

1. **Reduced the risk weight for small and medium enterprises loans resulting in lower capital consumption and enhanced lending incentives.** Under the New Capital Management Regulations, risk exposure for business loans is now divided into three categories: (i) small and micro enterprises risk exposure (75% weighting), (ii) small and medium enterprises risk exposure (85% weighting) and (iii) general enterprises risk exposure (100% weighting). The New Capital Management Regulations has refined the types of small and micro enterprises, and added the "small and medium enterprises risk exposure" category to incentivize commercial banks to increase their loan investment in medium, small and micro enterprises. Compared with the Capital Administrative Measures (Provisional), the risk weight of loans eligible for "small and medium enterprises risk exposure" has been lowered from 100% to 85%, which will significantly reduce the capital consumption of loans to these types of corporates and increase the Group's incentive to invest in small and medium enterprises loans.

2. **Higher the risk weight for interbank assets leading to increased capital consumption and stricter limits on interbank business**. Under the New Capital Management Regulations, the risk weight for Tier 2 commercial banks' exposure to domestic and foreign commercial banks with an original maturity of more than three months has been adjusted from 25% to 40%. The Group holds a certain scale of interbank certificates of deposit, interbank lending and commercial bank bond assets with an original maturity of more than three months, which will increase the Group's capital consumption, and will therefore be subject to strict limit management when conducting interbank business in the future.

3. **Lower the risk weight for local government bonds (general bonds) reducing capital consumption and enabling a comprehensive comparison of capital gain rates when selecting local bonds**. Under the New Capital Management Regulations, the risk weight for local government bonds (general bonds) invested by commercial banks has been reduced from 20% to 10%, which will reduce the Group's capital consumption and make its investment more oriented towards local bonds with relatively higher capital gain rates.

4. **Decreased the risk weight for other non-owner-occupied properties leading to lower capital consumption.** Under the New Capital Management Regulations, the risk weight for other non-owner-occupied properties (mainly investment properties) has been reduced from 1,250% to 400%, which will reduce the Group's capital consumption.

5. **Revised rules for measuring market risk increasing capital consumption and making trading book investment more prudent**. Under the New Capital Management Regulations, market risk may be measured using standardized approach, internal modeling approach, and simplified standardized approach. According to the actual situation of the Group's trading book investment (which is a financial instrument that are bought and held primarily for the purpose of selling them in short term), the conditions for using the "simplified standardized approach" have been met. The "simplified standardized approach" under the New Capital Management Regulations is consistent with the "standardized approach" under the Capital Administrative Measures (Provisional) for measuring interest rate risk, but the capital requirement coefficient has been adjusted from "market risk capital requirement = interest rate risk capital requirement" to "market risk capital requirement = interest rate risk capital requirement * 1.3" (the Group has no exchange rate risk, commodity risk and equity risk at this stage of business). As a result, the adjustment will increase the Group's market risk capital consumption and make trading book investment more prudent.

6. **Enhanced disclosure requirements with expanded scope.** Under the New Capital Management Regulations, the Group, as a Tier 2 bank, discloses two tables during the pre-listing transition period, comprising a table on regulatory consolidation of key prudential indicators (監管併表關鍵審慎監管指標表) and a table on capital composition (資本構成表). Upon completion of the listing within the transition period, eight tables will be disclosed, comprising three tables on risk management, key prudential indicators and risk-weighted asset overview series, three tables on capital composition and two tables on leverage. After the end of the transition period (i.e. after December 31, 2028), the content of the aforementioned eight tables will be required to be disclose regardless whether the Group is listed or not.

Our Directors are of the view, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on such view of our Directors, that the New Capital Management Regulations and above impacts are unlikely to have any material adverse impact on our business, financial condition and results of operations.

Time Limit for Meeting the Requirements

The Capital Administrative Measures (Provisional) provide that commercial banks are required to meet the regulatory requirements on capital adequacy ratios as set forth in those measures before the end of 2018, and where conditions permit, commercial banks are encouraged to meet the requirements ahead of schedule. For commercial banks which cannot continue to meet the requirements on the application of advanced approach for capital measurement as required by these measures, the former CBRC shall be entitled to request them to make rectification within a prescribed time limit.

To ensure the smooth implementation of Capital Administrative Measures (Provisional), on November 30, 2012, the former CBRC promulgated the Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures for the Capital of Commercial Banks (Provisional) (《關於實施<商業銀行資本管理辦法(試行)>過渡期安排相關事項的通知》). According to the requirements of this notice, commercial banks shall meet the minimum capital requirements and systematically important banks in the PRC shall meet the additional capital requirements before January 1, 2013. During the transitional period, the capital reservation buffer requirement (2.5%) will be gradually introduced and commercial banks are required to meet the following annual capital adequacy ratio requirement:

		2013	2014	2015	2016	2017	2018
Type of Bank	Items	As of December 31, 2013	As of December 31, 2014	As of December 31, 2015	As of December 31, 2016	As of December 31, 2017	As of December 31, 2018
Systematically Important Banks	Core tier-one capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Tier-one capital adequacy ratio	7.5%	7.9%	8.3%	8.7%	9.1%	9.5%
	Capital adequacy ratio	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%
Other Banks	Core tier-one capital adequacy ratio	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%
	Tier-one capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Capital adequacy ratio	8.5%	8.9%	9.3%	9.7%	10.1%	10.5%

Issuance of Capital Bonds

On June 17, 2004, the PBoC and former CBRC jointly promulgated the Measures for Administration on Issuance of Subordinated Bonds of Commercial Banks (《商業銀行次級債券發行管理辦法》). These Measures provide that the liquidation order of the principal and interest of subordinated bonds issued by commercial banks is subordinated to the banks' other liabilities but are senior to the banks' equity capital. The issuance of subordinated bonds is subject to the regulation of the PBoC and former CBRC in accordance with law. The former CBRC regulates the qualification for subordinated bonds issued by commercial banks and the method for the inclusion of such subordinated bonds in the supplementary capital. The PBoC regulates the issuance and trading of subordinated bonds in the interbank bond market.

According to the Guiding Opinions on the Issuance of Corporate Bonds by Commercial Banks for Capital Replenishment (《關於商業銀行發行公司債券補充資本的指導意見》) promulgated by the CSRC and former CBRC on October 30, 2013, commercial banks listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, domestic commercial banks issuing overseas listed foreign shares, or commercial banks with the application for domestic IPO under approval may issue corporate bonds containing write-down clauses to replenish their capital in accordance with the Securities Law of the People's Republic of China, Company Law of the People's Republic of China, and the measures of the CSRC for the administration of the issuance of corporate bonds.

Under the Notice of Issuing the Guiding Opinions on Commercial Banks' Innovation in Capital Instruments (《關於印發<關於商業銀行資本工具創新的指導意見(修訂)>的通知》) promulgated by former CBIRC on November 22, 2019, other tier-one capital instruments and tier-two capital instruments issued by commercial banks shall comply with relevant provisions under the Capital Administrative Measures (Provisional) and meet relevant standards provided by the guiding opinions in the form of contract. In addition, commercial banks shall submit the issue plans of capital instruments to the former CBIRC or its local offices which shall determine the capital property of capital instruments to be issued according to their regulatory duties and follow the procedures for approval according to relevant laws and regulations. The New Capital Management Regulations further amended the criteria regarding capital instruments issued by the banks.

Supervision over Capital Adequacy

The former CBRC is responsible for supervising the capital adequacy of banking financial institutions in the PRC. It reviews and evaluates banking financial institutions' capital adequacy through both on-site examination and off-site surveillance. Under the Capital Administrative Measures (Provisional), commercial banks are classified into four categories based on their capital adequacy, and the CBRC adopts corresponding actions to these banks, the details of which are set forth below:

Categories	Capital adequacy	Measures of CBIRC
Type I	Capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio all meet the capital requirements at all levels.	• to require the commercial bank to improve the analysis and forecast of the reasons for the decrease of its capital adequacy ratios; • to require the commercial bank to formulate a practicable capital adequacy ratio management plan; and • to require the commercial bank to improve its risk control capability.
Type II	Capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio do not meet capital requirements of the second pillar, but not less than capital requirements at other levels.	• to adopt the regulatory measures for Type I banks; • to hold talks on prudent practice with the board of directors and the senior management of the commercial bank; • to issue a regulatory opinion, which must include the problems identified with the capital management of the commercial bank, the proposed measures for rectification and the opinion on meeting the requirements within the prescribed time limit;

Categories	Capital adequacy	Measures of CBIRC
		• to require the commercial bank to formulate a practicable capital replenishment plan and the plan for meeting the requirements within the prescribed time limit; • to increase the frequency of supervision and inspection of the capital adequacy of the commercial bank; and • to require the commercial bank to take risk mitigation measures for specific risk areas.
Type III	Capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio all meet the minimum capital requirement, but do not meet capital requirements at other levels.	• to adopt the regulatory measures for Type I and II banks; • to restrict the commercial bank from distributing dividends and other incomes; • to restrict the commercial bank from granting any form of incentives to directors and senior management; • to restrict the commercial bank from making equity investments or repurchasing capital instruments; • to restrict the commercial bank from incurring major capital expenditure; and • to require the commercial bank to control the growth of risky assets.

Categories	Capital adequacy	Measures of CBIRC
Type IV	Any of capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio fails to reach the minimum capital requirement.	• to adopt the regulatory measures for Type I, II and III banks; • to require the commercial bank to significantly downsize risky assets; • to order the commercial bank to suspend all high-risk asset businesses; • to restrict or prohibit the commercial bank from establishing new institutions or launching new businesses; • to compulsorily require the commercial bank to write down tier-two capital instruments or convert them into ordinary shares; • to order the commercial bank to change its directors or senior management or restrict their rights; • to lawfully take over the commercial bank or procure the institutional reorganization of, or even dissolve, the commercial bank; and • to consider other external factors and take other necessary measures in order to solve the problems faced by Type IV commercial banks.

Introduction of the New Leverage Requirements

In an effort to efficiently control the leverage and maintain the safe and sound operations of commercial banks, the New Capital Management Regulations set out the rules governing the leverage ratio, pursuant to which, commercial banks are required to maintain a leverage ratio not lower than 4%, notwithstanding the consolidation of statements. The formula for calculating the leverage ratio is as follows:

$$\text{Leverage ratio} = \frac{\text{Tier-one capital} - \text{Tier-one deductions}}{\text{Balance of adjusted on-and-off balance sheet assets}} \times 100\%$$

For a commercial bank which fails to meet the minimum leverage ratio, the NAFR and its local offices may take remedial actions, including requiring the commercial bank to: (i) supplement its tier-one capital within a specified period; (ii) control the growth of its on-and-off balance sheet.

If the commercial bank fails to remediate its non-compliance within the specified period, or its behavior has seriously endangered its sound operation or damaged the legitimate interests of depositors or other clients, the NAFR and its local offices may take relevant regulatory actions pursuant to the PRC Banking Supervision and Regulatory Law.

Basel Accords

The Basel Capital Accord, or Basel I, was introduced by the Basel Committee on Banking Supervision, or the Basel Committee, in 1988. Basel I is a capital measurement system for banks that provides for the implementation of a credit risk measurement framework with a minimum capital adequacy ratio of 8%.

Since 1998, the Basel Committee has issued certain proposals for Basel II to replace Basel I.

On December 16, 2010, Basel III was officially issued by the Basel Committee. Basel III: (1) strengthens capital adequacy in capital resources, risk-weighted assets and capital ratios by requiring banks to hold more higher-quality capital against more conservatively calculated risk-weighted assets; (2) introduces a new leverage ratio as a backstop to the risk-based capital adequacy ratio requirement, which is aimed at promoting the build-up of buffered capital that can be drawn down in periods of stress; and (3) introduces two new global liquidity standards, which aim to ensure that adequate funding is maintained in case of crisis.

In line with the reform of Basel Accords and the implementation of Basel III, on April 27, 2011, the former CBRC promulgated the Guiding Opinions on the Implementation of New Regulatory Standards in China's Banking Industry (《中國銀監會關於中國銀行業實施新監管標準的指導意見》), which set out the key targets and principles for the reform of China's capital regulatory framework. On June 1, 2011, the former CBRC issued the Administrative Measures on the Leverage Ratio of Commercial Banks (《商業銀行槓桿率管理辦法》). On June 7, 2012, the former CBRC issued the Administrative Measures for the Capital of

Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the latest amendment of which has came into effect on January 1, 2024. abolished the Administrative Measures for Capital Adequacy Ratio of Commercial Banks (《商業銀行資本充足率管理辦法》) and related guidelines.

To increase the effectiveness of capital supervision, improve the risk management capabilities of commercial banks and strengthen market constraint, the former CBRC further issued four policy documents on July 19, 2013, which were the Rules for the Measurement of Risk Exposure Capital of Central Counterparties (《中央交易對手風險暴露資本計量規則》), the Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》), the Supplementary Regulatory Requirements for the Implementation of the Internal Rating Approach by Commercial Banks (《關於商業銀行實施內部評級法的補充監管要求》), and the Questions and Answers on Capital Regulation Policies (《資本監管政策問答》).

In January 2013, the Basel Committee issued the Monitoring Standards for Liquidity Coverage Ratio and Liquidity Risk in the Third Installment of Basel Accords (《第三版巴塞爾協議流動性覆蓋率和流動性風險監測標準》). In January 2014, the Basel Committee issued the Leverage Ratio Framework and Disclosure Requirements in the Third Installment of Basel Accords (《第三版巴塞爾協議槓桿率框架和披露要求》), which revised the international rules in relation to leverage ratio. According to the new rules of leverage ratio issued by the Basel Committee, on January 30, 2015, the former CBRC revised the Administrative Measures on the Leverage Ratio of Commercial Banks which was issued on June 1, 2011, and put forward clearer and stricter requirements for the disclosure of leverage ratio of commercial banks.

LOAN CLASSIFICATION, ALLOWANCES AND WRITE-OFFS

Loan Classification

On July 3, 2007, the former CBRC issued the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》), pursuant to which, commercial banks in China are required to classify the loans by judging the possibility that the debtors could repay in full the loan principals and interests timely in accordance with the five-category loan classification system.

The five-category loan classification refers to "normal," "special mention," "substandard," "doubtful" and "loss". Loans classified as substandard, doubtful or loss are regarded as non-performing. The primary factors for evaluating the repayment capability of borrowers include the borrower's cash flow, financial conditions and other non-financial factors that affect the loan repayment capability. In response to the Basel Committee's Prudent Treatment of Assets Guidelines (《審慎處理資產指引》) and the latest PRC GAAP standards, the former CBIRC enacted the Measures for the Risk Classification of Financial Assets of Commercial Banks (《商業銀行金融資產風險分類辦法》), which took effect on July 1, 2023. Building on the current Loan Risk Classification Guidelines (《貸款風險分類指引》) (the "Measures"), the Measures provide clear guidance on the five-category classification system for banks and outline a phased implementation plan until January 31, 2025. To comply with these regulatory requirements, we have developed and issued the Yibin City Commercial Bank's Measures for the Risk Classification of Financial Assets (《宜賓市商業銀行金融資產風險分類辦法》).

Loan Loss Allowance

According to the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》), loans classified as substandard, doubtful or loss are regarded as non-performing, for which commercial banks shall make full allowance for loan loss and write off loan loss on a timely manner pursuant to relevant requirements based on loan classification.

Under the Guidelines on Allowance for Bank Loan Impairment (《銀行貸款損失準備計提指引》) issued by PBoC on April 2, 2002, commercial banks are required to make a general allowance for loan impairment on a quarterly basis and to have a general allowance of not less than 1% of the total loans outstanding as of the end of the year. The guidelines provide additional requirements on the proportion of specific allowance for each loan category: 2% for special mention loans; 25% for substandard loans; 50% for doubtful loans and 100% for impaired loans. Allowance for losses of substandard and doubtful loans may be set aside within a floating range of 20%. Commercial banks may make special allowance in accordance with special risk factors (including risks in association with certain industries and countries), probability of losses and historical experience.

In accordance with the Administrative Measures for Loan Loss Allowance of Commercial Banks (《商業銀行貸款損失準備管理辦法》) promulgated by the former CBRC on July 27, 2011 and became effective on January 1, 2012, the adequacy ratio of loan loss allowance of commercial banks is assessed based on its allowance to total loan ratio and its allowance to non-performing loan ratio, the benchmarks of which are 2.5% and 150%, respectively. The higher of the two ratios will be taken as the supervisory standard. Systematically important banks identified by banking regulatory authorities are required to reach the standard by the end of 2013, and non-systematically important banks are required to reach such standard by the end of 2016. Those failing to reach the standard by the end of 2016 are required to formulate a plan on how to reach such standard, submit the same to banking regulatory authorities and reach such standard by the end of 2018 at the latest.

Supervision of Loan Classification and Loan Loss Allowance

Commercial banks are required to report to the CBIRC information regarding loan classification and loan loss allowance on a regular basis via quarterly report and annual report.

Pursuant to the Administrative Measures for Loan Loss Allowance of Commercial Banks (《商業銀行貸款損失準備管理辦法》) banking regulatory authorities can issue risk notices to a commercial bank and require remediation to be made accordingly if the commercial bank fails to meet the relevant minimum loan loss allowance standards for consecutive three months.

Banking regulatory authorities have the power to take further regulatory actions pursuant to PRC Banking Supervision and Regulatory Law if such non-compliance lasts for consecutive six months.

Bulk Transfer of Non-performing Assets

The MOF and the former CBRC promulgated the Administrative Measures for Bulk Transfer of Non-performing Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》) on January 18, 2012, which provide that financial enterprises may carry out bulk transfer of their non-performing credit assets and non-credit assets generated from their business operations to asset management companies, mainly including: loans in the substandard, doubtful and loss categories recognized according to statutory processes and standards, written-off book assets, repossessed assets and other non-performing assets. The non-performing assets that may not be bulk transferred include the assets whose debtors or guarantors are state organs, the assets listed in the national enterprise policy-mandated bankruptcy plan upon approval by the State Council, the assets concerning state security and sensitive information in national defense and military industry, personal loans (including various loans with individual as borrowing principal, such as housing loans, car loans, educational loans, credit card overdraft and other consumption loans extended to individuals), the assets subject to transfer restriction in borrowing contracts or guarantee contracts, and other assets restricted to transfer by national laws and regulations.

Loan Write-offs

Under the regulations issued by the former CBRC, the PBoC and the MOF, commercial banks are required to establish a strict audit and approval process to write off loan losses. In accordance with the Administrative Measures for the Write-off of Bad Debts of Financial Enterprises (2017 Edition) (《金融企業呆賬核銷管理辦法》) (2017年版) promulgated by the MOF on August 31, 2017 and became effective since October 1, 2017, after the financial institution adopts necessary measures and procedures, loans in compliance with the recognition standards promulgated by the MOF are allowed to be written off following the internal review process of the financial institution.

Allowance and General Reserve for Impairment Losses

On March 30, 2012, the MOF issued the Administrative Measures for the Provisioning for Reserves of Financial Enterprises (《金融企業準備金計提管理辦法》), which requires the balance of general reserve to be generally no less than 1.5% of the ending balance of risk-bearing assets of the financial institutions. Financial enterprises that have adopted the standardized approach to calculate the general reserve should temporarily use the following standard risk weightings for credit assets: 1.5% for normal loans, 3% for special mention loans, 30% for substandard loans, 60% for doubtful loans and 100% for loss loans. If the balance of general reserve of a financial enterprise fails to reach 1.5% of the ending balance of risk-bearing assets at one-time, the financial enterprise is allowed to achieve the requirement within a certain period of time, in principle not exceeding five years.

Other Operational and Risk Management Ratios

The former CBRC promulgated the Capital Administrative Measures (Provisional) and the Core Indicators for Risk-based Supervision of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》). The table below sets out the ratios of our Bank as of December 31, 2021, 2022, 2023 and June 30, 2024, calculated in accordance with the required ratios as provided in the Core Indicators (Trial) and other relevant regulatory requirements and applicable accounting standards:

Indicator categories	Primary indicators	Secondary indicators	Requirement	As of December 31, 2021	As of December 31, 2022	As of December 31, 2023	As of June 30, 2024
			(%)				
Liquidity risk	Liquidity ratio		≥25	60.51%	75.63%	89.54%	83.58%
	Liquidity gap ratio		≥-10	-4.27%	38.40%	36.38%	30.69%
Credit risk							
		Non-performing loan ratio	≤5	1.79%	1.91%	1.64%	1.63%
	Total correlation ratio		≤50	23.25%	23.98%	12.99%	11.84%

Core Indicators for Risk-based Supervision of Commercial Banks (Provisional) (《商業銀行風險監管核心指標(試行)》) set out certain other indicators, including ratios relating to interest rate risk sensitivity, loss rate of operational risk and loan migration. However, the specific indicator has not yet been specified, and the CBIRC may formulate regulatory requirements regarding to such ratios in the future.

Administrative Measures for Large Risk Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) issued by the former CBIRC on April 24, 2018 stipulates that the risk exposure of commercial banks to interbank single customers or to group customers shall not exceed 25% of net tier 1 capital.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Pursuant to the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the Ministry of Industry and Information Technology (the "MIIT") on July 16, 2013 and became effective since September 1, 2013, any collection and use of a user's personal information must be subject to the consent of the user and be within the specified purposes, methods and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

In accordance with the Amendment IX to Criminal Law of the People's Republic of China (《中華人民共和國刑法修正案(九)》) which was promulgated by the Standing Committee of the National People's Congress on August 29, 2015, any network service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses rectification orders is subject to criminal penalty for (i) any dissemination of illegal information in large scale, (ii) any severe effect due to leakage of the user's information, (iii) any loss of criminal evidence with serious consequences, or (iv) other severe situation. The amendment also states that any individual or entity that (i) sells or provides personal information to others that violates applicable law, or (ii) steals or illegally obtains any personal information, is subject to criminal penalty for severe violations.

Internet applications, or the APPs, are specifically regulated by the Provisions on the Administration of Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the "APP Provisions"), which was promulgated by the Cyberspace Administration of China (the "CAC") on June 28, 2016 and amended on June 14, 2022, and the latest amendment of which took effect from August 1, 2022. According to the APP Provisions, relevant qualifications required by laws and regulations shall be acquired for providing app information services and the engagement in app distribution services such as Internet app stores. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively. APP providers shall fulfill their responsibilities of information security management, and perform the following duties, including, but not limited to: (i) in accordance with the principles of Register with Real Name, verify identities with the registered users through mobile phone numbers, identity document numbers or unified social credit codes; (ii) establish and improve the mechanism for regulating personal information processing and user information security protection, following the principle of "legality, legitimate, necessity and good faith" in processing personal information, with clear and reasonable purposes; (iii) establish a sound information content review and management mechanism, establish and improve management measures for user registration, account management, information review, routine inspections, and emergency response, with professionals and technical capabilities commensurate with their service scale; (iv) adhere to the principle of being most beneficial to minors, and strictly implement the requirements for the registration and login of minors' user accounts with real identity information in accordance with the law; (v) not induce users to download apps by means of false advertisement, bundled downloads, or other acts, or via machine or manual comment control, or by using illegal and harmful information; (vi) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures to ensure data security and other security measures, strengthen risk monitoring, and shall not endanger national security or public interests, or damage the legitimate rights and interests of others.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. The Cyber Security Law of the PRC requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cyber Security Law of the PRC further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. On September 14, 2022, the CAC issued a consultation paper on proposed amendment to the Cyber Security Law of the PRC (《關於修改<中華人民共和國網絡安全法>的決定(徵求意見稿)》), which includes adjusting the types and ranges of administrative penalties for violations endangering network operation security and strengthening the responsibility of critical information infrastructure operators. The consultation paper also seeks to improve the legal liability systems of network information security and personal information protection.

On March 12, 2021, the CAC, the MIIT, the Ministry of Public Security and the State Administration for Market Regulation jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) (the "Necessary Personal Information Rules"), which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile app operators shall not deny users' access to its basic functions and services on the basis that such user disagrees with the provision of their personal information that is not necessary. The Necessary Personal Information Rules further provides relevant scopes of necessary personal information for different types of mobile apps.

On November 28, 2019, the Secretary Bureau of the CAC, the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App (《App違法違規收集使用個人信息行為認定方法》), which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》) ("the Civil Code"), effective on January 1, 2021. According to the Civil Code, any individual's private information or an individual's right to privacy is infrangible, unless otherwise prescribed by law or with the consent of such individual or such individual's guardian.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which called for the enhanced cross-border regulatory cooperation and administration and supervision of overseas-listed China-based companies, and the laws and regulations regarding data security, cross-border data flow and management of confidential information are expected to undergo further changes.

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. Whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. Processors of important data shall specify the person(s) responsible for data security and the management body, and implement the responsibility of data security protection. Measures shall be taken immediately upon occurrence of a data security incident, users shall be timely notified in accordance with the relevant provisions and reports shall be made to the relevant competent authorities.

The State Council promulgated the Regulations on Protection on the Safety of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) on July 30, 2021, effective from September 1, 2021, which provided that critical information infrastructure include important network facilities and information systems in public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense science and technology industry and other important industries and fields of which any damage, loss of function or data leakage may seriously endanger national security, national economy or people's livelihood and public interest. The critical information infrastructure operators must, in accordance with relevant laws, administrative regulations and mandatory national standards and based on the graded system for cybersecurity protection, adopt technical protection measures and other necessary measures to respond to network security incidents and prevent network attacks and crimes to ensure the safe and stable critical information infrastructure operation and maintain data integrity, confidentiality and availability. The protection work departments are responsible for organizing the identification of critical information infrastructure within their industries and sectors and notifying operators about the identification results. As of the Latest Practicable Date, the NAFR and PBOC had not publicly promulgated any implementation provisions or identification rules of critical information infrastructure operators in the banking industry, and we had not received any notification from responsible regulatory authorities regarding our identification as a critical information infrastructure operator.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全性漏洞管理規定》) were jointly promulgated by the Ministry of Industry and Information Technology, the Cyberspace Administration of China and the Ministry of Public Security on July 12, 2021 and came into effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the provisions and shall establish channels to receive information of security vulnerability of their respective network products. In response to the Cyber Security Law of the PRC network product providers shall report the relevant vulnerability information to the Cyber Security

Threat and Vulnerability Information Sharing Platform of the Ministry of Industry and Information Technology within two days and provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability in a timely manner after discovering or acknowledging that their networks, information systems or equipment have such security vulnerability. According to the provisions, the breaching parties may be subject to punishments as regulated in accordance with the Cyber Security Law of the PRC.

On December 28, 2021, the CAC and other related authorities released the draft amendment to the Cybersecurity Review Measures (《網絡安全審查辦法(2021)》), effective on February 15, 2022, it provided that, (1) A network platform operator that has the personal information of more than one million users must apply to the Cybersecurity Review Office for a cybersecurity review when it seeks to list abroad (國外上市); (2) Any other regulations of the state on data security review and foreign investment security review shall be complied with as well; (3) Any network product or service or any data processing activity that affects or may affect national security as deemed by member organizations of the cybersecurity review mechanism shall be reviewed under the Measures after the Cybersecurity Review Office reports it to the Central Cyberspace Affairs Commission as per the procedure and the latter approves a review. The Cybersecurity Review Office will enhance its oversight before the event, during the event and after the event through receiving complaints or in other forms. As of the Latest Practicable Date, we had not received any notice from any responsible authorities requiring us to go through cybersecurity review by the CAC, nor had we received any investigation, inquiry, notice, warning or sanctions made by the CAC on such basis.

On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Law of Personal Information Protection of PRC, or the Personal Information Protection Law (《中華人民共和國個人信息保護法》), effective on November 1, 2021. The Personal Information Protection Law specifically specified the rules for processing sensitive personal information, only for a specific purpose and sufficient necessity, and strict protection measures have been taken, may a personal information processor process sensitive personal information. The personal information processors shall bear responsibility for their personal information processing activities, and adopt the necessary measures to safeguard the security of the personal information they process. Otherwise, the personal information processors will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On September 30, 2024, the State Council issued the Administrative Regulations of Network Data Security (《網絡數據安全管理條例》), which will take effect since January 1, 2025. Unlike the Administrative Regulations of Network Data Security (Draft for comments) (《網絡數據安全管理條例(徵求意見稿)》) published on November 14, 2021, the Administrative Regulations of Network Data Security does not explicitly require cybersecurity review for listing in Hong Kong.

The Administrative Regulations of Network Data Security detailed security protection obligations for network data processors, important data processors and network platform service providers; violations of these obligations may result in confiscation of illegal gains, monetary penalties, and other penalties as stipulated in the Administrative Regulations of Network Data Security.

Since we have implemented in our daily operation a series of internal control measures from organizational, managerial and technical perspectives to protect network data security, the Directors are of the view, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on such view of the Directors, that it is unlikely that the Administrative Regulations of Network Data Security will have any material adverse impact on our business, financial condition or results of operations.

Regulations Relating to the Protection of Consumers Rights and Interests

Furthermore, the Implementation Measures for the Protection of the Rights and Interests of Financial Consumers (《中國人民銀行金融消費者權益保護實施辦法》), issued by the PBoC on September 15, 2020 and effective from November 1, 2020, provided that banking institutions and third-party payment institutions shall not take advantage of technical means or dominant positions to force financial consumers to purchase financial products or services, or restrict financial consumers from purchasing other financial products or services provided by peer institutions.

On December 26, 2022, the former CBIRC issued the Administrative Measures for the Protection of Consumers' Rights and Interests by Banking and Insurance Institutions (《銀行保險機構消費者權益保護管理辦法》), which came into effect on March 1, 2023. It requires banking and insurance institutions to establish and improve systems and mechanisms for the protection of consumer's rights and interests, including mechanisms for review, disclosure, consumer appropriateness management, traceability of sales practices, protection of consumers' information, list-based management of the partners, complaint handling, diversified resolution of conflicts and disputes, internal training, internal assessment and internal audit. It also lists the following consumers' rights that the banking and insurance institutions shall protect: (i) right to know; (ii) right to choices on their own; (iii) right to a fair transaction; (iv) right to property safety; (v) right to lawful claim; (vi) right to education; (vii) right to respect; and (viii) right to information security. Further, the NAFR and its local offices may take regulatory measures against the institutions if any problem regarding consumer protection was inspected, and may impose administrative punishment in case of violation of the administrative measures.

OUR HISTORY

Overview

Our Bank is a joint-stock city commercial bank headquartered in Yibin, Sichuan Province, the PRC, and was incorporated on December 27, 2006. Our Bank's predecessor was Yibin City Credit Cooperatives, which was established in 2000. As approved by the NAFR Sichuan Office, our Bank was jointly initiated and established by the shareholders of Yibin City Credit Cooperatives (including 44 non-individual shareholders and 386 individual shareholders). At the time of establishment, the registered capital of our Bank was RMB106,879,775, divided into 106,879,775 Domestic Unlisted Shares with a nominal value of RMB1.00 each.

Our principal businesses include corporate banking, retail banking and financial markets.

Milestones

Key milestones in our development are as follows:

Time	Events
December 2006	Our Bank was established in Yibin, Sichuan Province, the PRC.
May 2008	Our Bank was approved by PBoC to officially join the national interbank lending market.
August 2009	Our Bank initiated and established Longchang Xinglong Rural Bank Co. Ltd., our first rural bank and the predecessor of Neijiang Xinglong Rural Bank.
December 2010	Our Bank's first branch outside Yibin, Neijiang Branch, was officially established, achieving our cross-regional development.
October 2011	Our Bank officially launched our online banking services.
May 2012	Our Bank officially launched our mobile banking services.
September 2013	Our Bank's specialized Technology sub-branch was established.

Time	Events
June 2015	Our Bank established a specialized sub-branch specially for the Baijiu sector and signed a strategic cooperation agreement with Yibin Liquor Association to support the development of the Baijiu sector.
July 2018	Our Bank launched the Qianhuahua platform to deploy mobile payment business.
December 2019	Our Bank completed the transformation and launch of smart banking at all outlets.
June 2020	Our Bank was awarded by the Sichuan Provincial Committee and the Provincial Government as Sichuan Province Excellent Service Enterprise.
October 2020	Our Bank established the Rural Revitalization sub-branch in Sichuan Province.
September 2021	Our Bank was accredited as an Integrity Enterprise in Sichuan.
December 2021	Our Bank increased its registered capital to RMB3.9 billion, becoming the city-level municipal commercial bank with the largest registered capital in Sichuan Province, and the proportion of state-owned equity interests reached 80.7%.

Changes in the Registered Capital and Material Shareholding Changes of our Bank

At the time of establishment, the registered capital of our Bank was RMB106,879,775, divided into 106,879,775 Domestic Unlisted Shares with a nominal value of RMB1.00 each. Since the establishment of our Bank, there have been several changes in the share capital of our Bank.

As of the Latest Practicable Date, the registered capital of our Bank was RMB3,900,000,000, divided into 3,900,000,000 Domestic Unlisted Shares with a nominal value of RMB1.00 each. The changes in the registered capital of our Bank since its establishment and material shareholding changes of our Bank are set forth as follows:

Time[1]	**Changes in the registered capital or material shareholding changes**
December 22, 2008	The registered capital of our Bank was increased from RMB106,879,775 to RMB216,837,391 by issuing and allotting 38,957,616, 6,000,000, 35,000,000, 15,000,000 and 15,000,000 new Domestic Unlisted Shares with a nominal value of RMB1.00 each to Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau, Sichuan Yibin Investment Co., Ltd. (四川省宜賓市投資有限責任公司), Yibin Grace-Land Co., Ltd. (宜賓麗雅置地有限責任公司) and Yibin Tianyuan Group Co., Ltd. (宜賓天原集團股份有限公司), respectively.
July 16, 2009	The registered capital of our Bank was increased from RMB216,837,391 to RMB271,987,391 by issuing and allotting 55,150,000 new Domestic Unlisted Shares with a nominal value of RMB1.00 each to Sichuan Yibin Wuliangye Group Co., Ltd. (四川省宜賓五糧液集團有限公司, "**Wuliangye Group**").
November 26, 2009	The registered capital of our Bank was increased from RMB271,987,391 to RMB324,487,391 by issuing and allotting 24,500,000, 23,000,000 and 5,000,000 new Domestic Unlisted Shares with a nominal value of RMB1.00 each to Yibin Tianyuan Group Co., Ltd., Yibin Investment Group Co., Ltd. (宜賓市投資集團有限責任公司) and Yibin Gong County Finance Bureau, respectively.
February 4, 2010	The registered capital of our Bank was increased from RMB324,487,391 to RMB450,500,000 by issuing and allotting 24,500,000, 52,012,609 and 49,500,000 new Domestic Unlisted Shares with a nominal value of RMB1.00 each to Sichuan Furun Enterprise Reorganization Investment Co., Ltd. (四川富潤企業重組投資有限責任公司), Sichuan Province Airport Group Co., Ltd. (四川省機場集團有限公司), and Sichuan Hydropower Investment Operation Group Co., Ltd. (四川省水電投資經營集團有限公司), respectively.

Time[(1)]	Changes in the registered capital or material shareholding changes
March 31, 2010	The registered capital of our Bank was increased from RMB450,500,000 to RMB533,050,000 by issuing and allotting 82,550,000 new Domestic Unlisted Shares with a nominal value of RMB1.00 each to China Three Gorges Corporation (中國長江三峽集團公司).
July 18, 2011	Our Bank issued and allotted an aggregate of 53,305,006 stock dividend to the shareholders recorded on the register of members of our Bank as of December 31, 2010. On July 18, 2011, the registered capital of our Bank was increased from RMB533,050,000 to RMB586,355,006.
March 11, 2014	Our Bank issued and allotted an aggregate of 17,590,655 stock dividend to the shareholders recorded on the register of members of our Bank as of December 31, 2012. On March 11, 2014, the registered capital of our Bank was increased from RMB586,355,006 to RMB603,945,661.
February 4, 2015	The registered capital of our Bank was increased from RMB603,945,661 to RMB639,945,661 by issuing and allotting 12,000,000, 12,000,000 and 12,000,000 new Domestic Unlisted Shares to Yibin Zhenghe Real Estate Investment Group Co., Ltd. (宜賓正和房地產投資集團有限公司), Yibin Hengxu Kiln Technology Development Co., Ltd. (宜賓恆旭窯爐科技開發有限公司) and Yibin City Xuzhou District Qunli Transportation Co., Ltd. (宜賓市敘州區群立運輸有限責任公司) (formerly known as Yibin County Qunli Transport Co., Ltd. (宜賓縣群立運輸有限責任公司)), respectively.
June 16, 2015	The registered capital of our Bank was increased from RMB639,945,661 to RMB903,747,611 by issuing and allotting 55,396,500, 89,605,450 and 118,800,000 new Domestic Unlisted Shares to Sichuan Hydropower Investment Operation Group Co., Ltd., Chaoyu Group Co., Ltd. (超宇集團有限公司) (formerly known as Sichuan Chaoyu Construction Co., Ltd. (四川超宇建設集團有限公司)) and Chengdu Xinan Stone Co., Ltd. (成都西南石材城有限公司), respectively.

Time[(1)]	**Changes in the registered capital or material shareholding changes**
January 4, 2016	The registered capital of our Bank was increased from RMB903,747,611 to RMB1,200,000,000 by issuing and allotting 78,440,050, 118,800,000 and 99,012,339 new Domestic Unlisted Shares to Wuliangye Group, Tianfeng Securities Co., Ltd. (天風證券股份有限公司) ("**Tianfeng Securities**") and Sichuan Province Logistics Industry Co., Ltd. (四川省物流產業股份有限公司), respectively.
June 17, 2016	Our Bank issued and allotted an aggregate of 120,000,019 stock dividend to the shareholders recorded on the register of members of our Bank as of December 31, 2014. On June 17, 2016, the registered capital of our Bank was increased from RMB1,200,000,000 to RMB1,320,000,019.
December 12, 2019	Our Bank issued and allotted an aggregate of 985,514 stock dividend to a total of 422 Shareholders recorded on the register of members, who held less than 0.1% shareholding interest of our Bank or 1,320,000 Shares, as of December 31, 2017. On December 12, 2019, the registered capital of our Bank was increased from RMB1,320,000,019 to RMB1,320,985,533.
June 15, 2020	Our Bank issued and allotted an aggregate of 65,014,356 stock dividend to a total of 20 Shareholders recorded on the register of members, who held more than 0.1% shareholding interest of our Bank or 1,320,000 Shares, as of December 31, 2017. On June 15, 2020, the registered capital of our Bank was increased from RMB1,320,985,533 to RMB1,385,999,889.
December 24, 2020	The registered capital of our Bank was increased from RMB1,385,999,889 to RMB2,822,544,915 by issuing and allotting 151,614,530, 405,602,059, 543,006,434, 229,179,146 and 107,142,857 new Domestic Unlisted Shares to Wuliangye Group, Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau, Yibin Nanxi District Finance Bureau and Wuhan Tianying Investment Group Co., Ltd. (武漢天盈投資集團有限公司), respectively.

Time[(1)]	Changes in the registered capital or material shareholding changes
December 9, 2021	The registered capital of our Bank was increased from RMB2,822,544,915 to RMB3,900,000,000 by issuing and allotting 215,383,271, 215,275,526, 215,275,526 and 431,520,762 new Domestic Unlisted Shares to Wuliangye Group, Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau and Yibin Nanxi District Finance Bureau, respectively.
June 1, 2023[(2)]	On May 29, 2023, Gong County State-owned Capital Investment Operation Group Co., Ltd. (珙縣國有資本投資運營集團有限公司) ("**GCSCIO**") entered into an equity transfer agreement with Tianfeng Securities, pursuant to which Tianfeng Securities agreed to transfer 7,410,000 Shares to GCSCIO at a consideration of approximately RMB19.64 million, representing approximately 0.19% of total issued share capital of the Bank. The consideration per Share was RMB2.65, which was determined through negotiations by taking into account the appraised net asset value per Share.

Notes:

1. Unless otherwise stated, the time stated here represents the issuance date of the new business license with increased registered capital.

2. The time stated here represents the date on which the transfer of the relevant Shares was completed.

Save as disclosed above, during the Track Record Period and up to the date of this Prospectus, the Bank had no material shareholding changes, acquisitions or disposals.

SUBSIDIARIES OF THE BANK

As of the Latest Practicable Date, our Bank had two subsidiaries. The table below sets out the general information of our subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiaries	Place of incorporation	Date of incorporation and commencement of business	Share capital	Direct and indirect shareholding of the Bank	Main business scope
1.	Neijiang Xinglong Rural Bank	PRC	December 24, 2010	250,047,000	51.00%	Taking public deposits; extending short-term, medium-term and long-term loans; effecting domestic settlement; effecting bill acceptance and discounting; acting as the issuance agent, the payment agent and underwriter of government bonds and corporate bonds; trading government bonds and financial bonds; engaging in interbank lending; engaging in bank card business; collecting and making payment as agents and acting as insurance agents; providing safe deposit box service; acting as ticket agent; and other businesses as approved by the banking regulatory agency.
2.	Yibin Xingyi Rural Bank	PRC	December 24, 2010	300,000,000	53.15%	Taking public deposits; extending short-term, medium-term and long-term loans; effecting domestic settlement; effecting bill acceptance and discounting; acting as the issuance agent, the payment agent and underwriter of government bonds; trading government bonds and financial bonds; engaging in interbank lending; engaging in bank card business; collecting and making payment as agents and acting as insurance agents; and other businesses as approved by the banking regulatory agency.

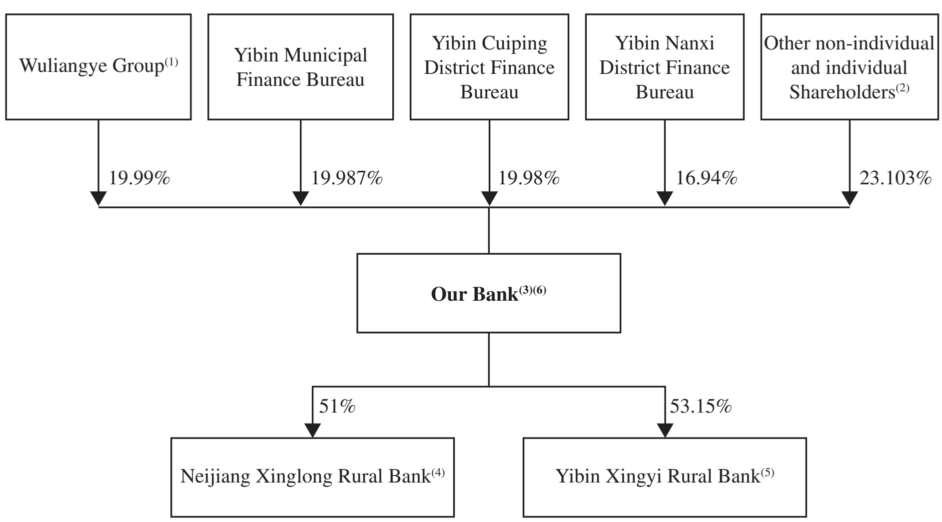
OUR SHAREHOLDING AND GROUP STRUCTURE

Shareholding Structure Immediately before the Global Offering

As of the Latest Practicable Date, our Bank had 38 non-individual Shareholders with approximately 99.68% interest in the registered capital of our Bank, and 392 individual Shareholders with approximately 0.32% interest in the registered capital of our Bank. All of these Shareholders are holders of Domestic Unlisted Shares. The Shareholders directly holding 5% or more of the share capital of our Bank include Wuliangye Group, Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau, and Yibin Nanxi District Finance Bureau, which directly held approximately 19.99%, 19.987%, 19.98% and 16.94% of the share capital of our Bank, respectively.

As of the Latest Practicable Date, our Bank was unable to verify the identity and shareholding of eight non-individual Shareholders and ten individual Shareholders, which held approximately 3.98% and 0.01% of the share capital of our Bank, respectively. We believe, and our PRC Legal Advisors are also of the view that, the proportion of unverified Shares is relatively small and does not constitute significant ownership controversy, dispute, or potential dispute over our Shares.

The following chart sets out the shareholding and group structure of our Bank as of the Latest Practicable Date and immediately prior to the Global Offering:



Notes:

(1) Wuliangye Group, one of our state-owned non-individual Shareholders and our single largest Shareholder, is wholly-owned by Yibin Development Holding Group Co., Ltd., which is in turn owned by State-owned Assets Supervision and Administration Commission of Yibin as to 90% and by Department of Finance of Sichuan Province as to 10%. Wuliangye Group is primarily engaged in the investment and investment management, asset management and enterprise management service.

(2) As of the Latest Practicable Date, these Shares were held by 34 other non-individual Shareholders (namely Tianfeng Securities, Jiaxing Jiayuan Information Technology Co., Ltd. (嘉興嘉源信息科技有限公司), Chengdu Xinan Stone Co., Ltd. (成都西南石材城有限公司), Sichuan Hydropower Investment Operation Group Co., Ltd. (四川省水電投資經營集團有限公司), Wuhan Tianying Investment Group Co., Ltd. (武漢天盈投資集團有限公司), Chaoyu Group Co., Ltd. (超宇集團有限公司), Yibin Zhenghe Real Estate Investment Group Co., Ltd. (宜賓正和房地產投資集團有限公司), Yibin Hengxu Kiln Technology Development Co., Ltd. (宜賓恒旭窑爐科技開發有限公司), Yibin City Xuzhou District Qunli Transportation Co., Ltd. (宜賓市敘州區群立運輸有限責任公司), GCSCIO, Gong County Finance Bureau, Junlian County Finance Bureau (筠連縣財政局), Wuxi Zhongzhu Group Co., Ltd. (無錫中住集團有限公司), Sichuan Huayuan Industrial Group Co., Ltd. (四川省花園實業股份有限公司), Yibin Xinhao Building Materials Co., Ltd. (宜賓市鑫浩建材有限責任公司), Sichuan Yisheng Construction Group Co., Ltd. (四川億勝建設集團有限公司), Hainan Danxian Nadaxin Credit Union (海南省儋縣那大信信用社), Hainan Fusheng Technology Industrial Co., Ltd. (海南富生科技產業公司), Haikou Daxin City Credit Union (海口市大信城市信用社), Hainan Danzhou Jialian Industrial Co., Ltd. (海南省儋州佳聯實業公司), Yibin Tongyiheng Electrical Appliance Co., Ltd. (宜賓市同益恒電器有限公司), Sichuan Yibin Wanchun Commerce & Trade Co., Ltd. (四川省宜賓市萬春商貿有限責任公司), Yibin Chengxi Trade Co., Ltd. (宜賓市誠信貿易有限責任公司), Yibin Juxiang Catering Service Co., Ltd. (宜賓市聚祥飲食服務有限責任公司), Yibin Yuanda Trade Development Co., Ltd. (宜賓市遠大貿易發展有限責任公司), Yibin Wanshun Casting Co., Ltd. (宜賓萬順鑄造有限責任公司), Yibin Cuiping District Service Industry Development Promotion Center (宜賓市翠屏區服務業發展促進中心), Yibin Yikang Catering Service Co., Ltd. (宜賓市益康飲食服務有限責任公司), Sichuan Yibin Hongtai Food Co., Ltd. (四川省宜賓鴻泰食品有限公司), Yibin Kaiyuan Liquor Co., Ltd. (宜賓市開元酒業有限責任公司), Yibin Sweets First Cooperative Store (宜賓市甜食第一合作商店), Yibin Catering Third Cooperative Store (宜賓市飲食第三合作商店), Yibin Yigong Entertainment Co., Ltd. (宜賓怡宮娛樂有限責任公司), and Sichuan Yibin Living Service Co., Ltd. (四川省宜賓市生活服務公司) and 392 individual Shareholders with the highest shareholding not exceeding 5.00%. Among them, Mr. Yang Xingwang, an executive Director and the president of the Bank, holds 66,739 Shares, representing approximately 0.002% of the share capital of the Bank. Save as disclosed above, the remaining Shareholders are Independent Third Parties. Furthermore, among such shareholders, GCSCIO is an associate of Gong County Finance Bureau, Liao Shihong (廖世紅) is an associate of Liao Wenwu (廖文武), Li Tang (李棠) is an associate of Li Yun (李贇), Wu Donglai (吳東來) is an associate of Wu Xia (吳霞), Liang Youtao (梁幼濤) is an associate of Liang Haitao (梁海濤), and each of the above individual Shareholders held no more than 0.01% of the total issued share capital of the Bank as of the Latest Practicable Date. Save as disclosed above, to the best knowledge of the Bank, other non-individual and individual Shareholders are independent from each other. Furthermore, Jiaxing Jiayuan Information Technology Co., Ltd. (嘉興嘉源信息科技有限公司) ("Jiaxing Jiayuan") is considering to transfer its 3.54% shareholding interests to Tongchuang Jiuding Investment Management Group Co., Ltd. (同創九鼎投資管理集團股份有限公司) ("Jiuding Group"), a company which is a related party and indirect shareholder of Jiaxing Jiayuan. According to the announcement published by Jiuding Group, there is no definitive contractual relationship between Jiaxing Jiayuan and Jiuding Group or its designated entity in relation to transferring the shareholding interests of the Bank at the current stage. Jiaxing Jiayuan confirms that the proposed share transfer remains indicative at the current stage. It undertakes that it will not transfer any shareholding interest in the Bank before the Listing Date, specifically it will not enter into any transaction agreement with Jiuding Group or its designated entity before the Listing Date. Jiaxing Jiayuan will remain as the Bank's shareholder on the Listing Date.

(3) As of the Latest Practicable Date, to the best knowledge of our Bank, 241,257,325 Shares (representing approximately 6.19% of the share capital of our Bank) held by four Shareholders were pledged as the collateral of financing mainly for funding business operations of such Shareholders, and 245,842,366 Shares (representing approximately 6.30% of the share capital of our Bank) held by four Shareholders were frozen by several judicial bodies mainly due to equity related disputes and loan contract disputes among shareholders. Considering the percentage of the pledged Shares and the frozen Shares is relatively small, the PRC Legal Advisors are of the view that the above pledge or freezing of Shares will not result in material change in the shareholding structure of the Bank or cause any substantial impediment to the Listing.

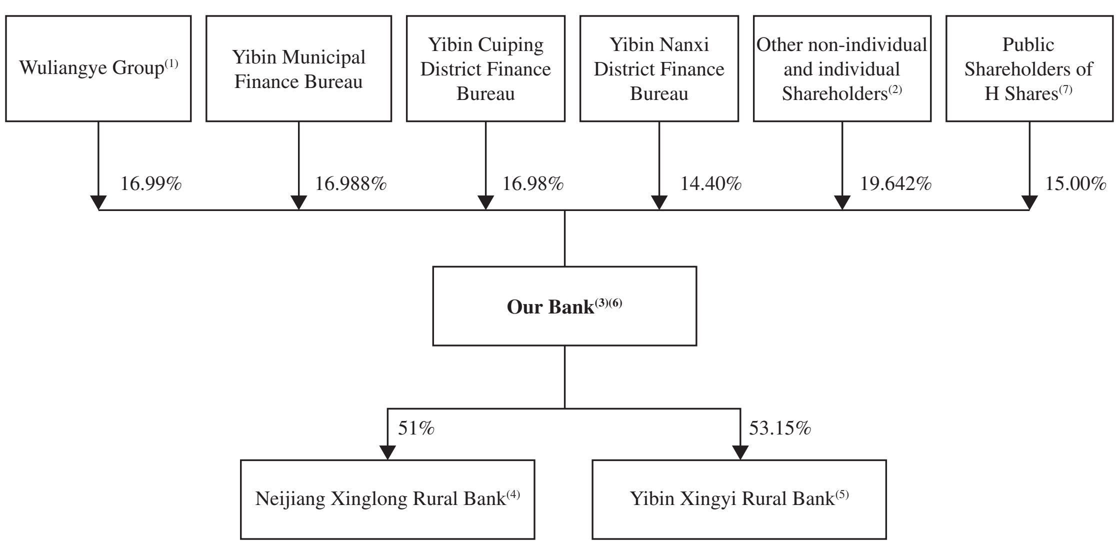
(4) The remaining 49% equity interests in Neijiang Xinglong Rural Bank is held by Sichuan Hydropower Investment Operation Group Co., Ltd., Sichuan Hengxin Industry Co., Ltd. (四川省恆信實業有限公司), Neijiang Construction Engineering Group Co., Ltd. (內江建工集團有限責任公司), Sichuan Ziyang Hengyi Trading and Commerce Co., Ltd. (四川省資陽市恆逸貿易有限公司), Longchang Longyuxixuan Coal Industry Co., Ltd. (隆昌市隆裕洗選煤業有限公司), Sichuan Longchang Feilong Industry Co., Ltd. (四川省隆昌飛龍實業有限公司), Luo Chengyan (羅程燕), Wang Guopeng (王國鵬), Longchang Development Construction Group Co., Ltd. (隆昌發展建設集團有限責任公司), Tang Bo (唐博) and Qian Yong (錢勇) as to 10.00%, 10.00%, 10.00%, 6.66%, 3.14%, 2.67%, 2.67%, 1.34%, 1.18%, 1.09% and 0.25%, respectively, each of whom is an Independent Third Party

(5) The remaining 46.85% equity interests in Yibin Xingyi Rural Bank is held by Yibin Jinnong Construction Investment Group Co., Ltd. (宜賓金農建設投資集團有限責任公司), Yibin Rongzhou Jincheng Construction Investment Development Group Co., Ltd. (宜賓戎州金成建設投資開發集團有限公司), Sichuan Fengcaicheng Industrial Co., Ltd. (四川鳳彩成實業有限公司), Hangzhou Zhongliang Enterprise Management Co., Ltd. (杭州眾梁企業管理有限公司), Sichuan Yibin Huaxia Liquor Co., Ltd. (四川省宜賓市華夏酒業有限公司), Yibin Xinyu Liquor Co., Ltd. (宜賓新宇酒業有限公司), Sichuan Yibin Xufu Liquor Co., Ltd. (四川省宜賓市敘府酒業股份有限公司), Sichuan Jinglei Technology Co., Ltd. (四川驚雷科技股份有限公司), Cai Yanwei (蔡顏偉), Li Limin (李利民), Li Bei (李蓓), Ju Huafeng (鞠華峰), Xiao Ze (肖澤) and Li Xinghai (李興海) as to 9.99%, 9.99%, 5.73%, 3.74%, 1.60%, 1.00%, 1.00%, 0.33%, 4.00%, 3.80%, 2.04%, 1.96%, 1.33% and 0.33%, respectively, each of whom is an Independent Third Party.

(6) Our Bank has entrusted the Shares held by all of our existing Shareholders to Tianfu (Sichuan) United Equity Trading Center Co., Ltd. pursuant to relevant requirements of PRC laws. Such entrustment arrangement is for purely administrative purpose and does not impose any restriction on the Shareholders exercising their own shareholders' rights.

Shareholding Structure Immediately after Completion of the Global Offering

The following chart sets out the shareholding and group structure of our Bank immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

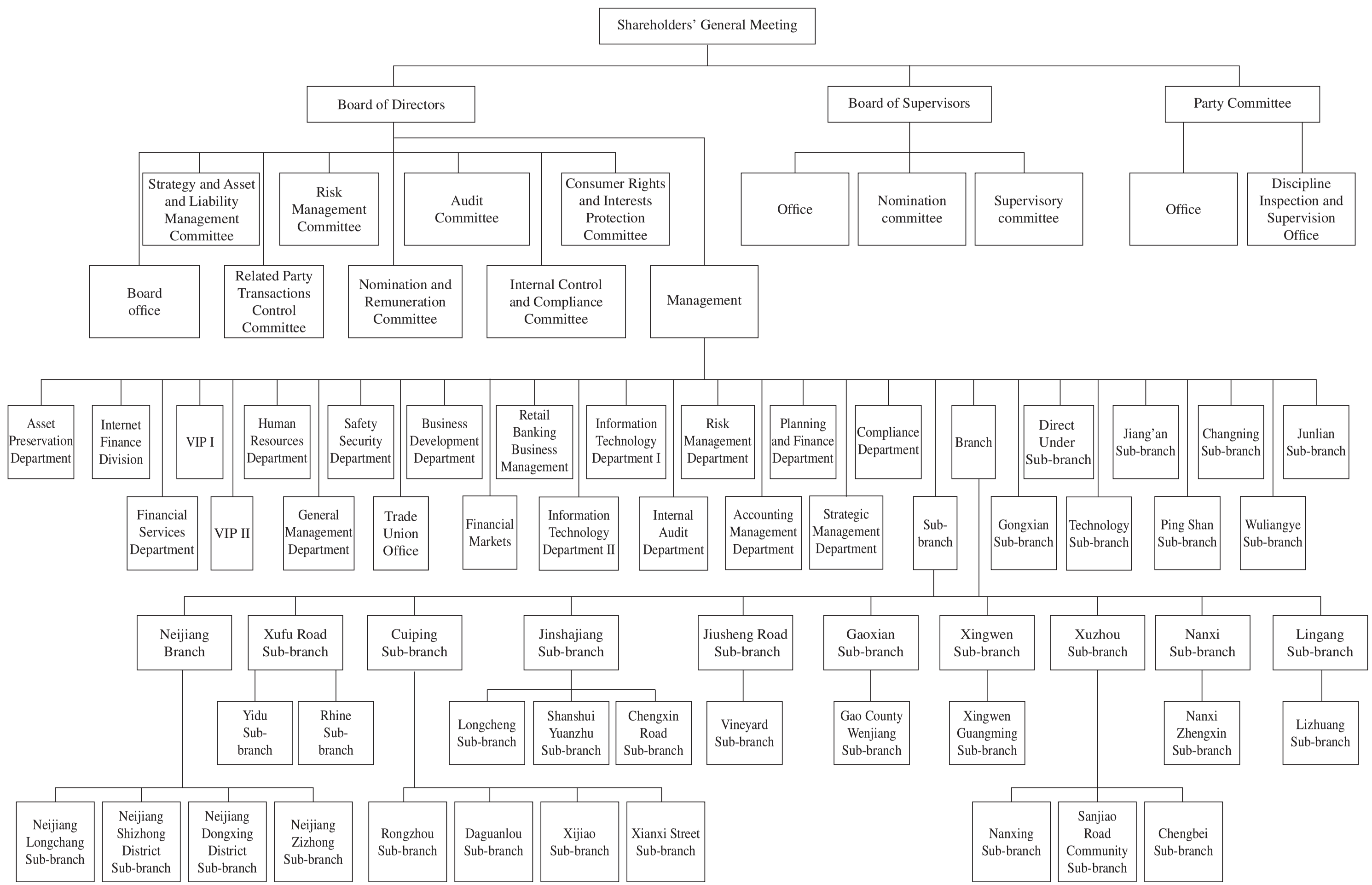


Notes (1) to (6): See notes (1) to (6) in the section "– Shareholding Structure Immediately before the Global Offering"

Note (7): All the current Shareholders of the Bank held Domestic Unlisted Shares and will not be counted towards the public float under Rule 8.08 of the Listing Rules after the Listing. As such, the public float of the Bank will be 15.00% upon Listing (assuming the Over-allotment Option is not exercised).

OUR ORGANIZATIONAL STRUCTURE

The following chart sets out our principal organizational and management structure as of the Latest Practicable Date:



Corporate Governance Structure

Our Bank has established a corporate governance structure which comprises the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management.

Shareholders' general meeting

Shareholders' general meeting is the highest organ of authority of our Bank. Its principal responsibilities include but not limit to deciding on the Bank's operating policies and investment plans, electing and replacing the Bank's directors and supervisors who are not employee representatives, deciding on the remuneration of directors and supervisors, reviewing and approving the Bank's annual financial budget plan, final account plan, profit distribution plans and loss recovery plans, making resolutions on the Bank's merger, spin-off, dissolution, liquidation and change of corporate form, and amending the Articles of Association.

Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting. Its principal responsibilities include convening the Shareholders' general meeting, reporting to the Shareholders' general meeting and implementing the resolutions of the Shareholders' general meeting, determining our Bank's development strategies, operation programs and investment resolutions, formulating the annual financial budget plans, financial accounting plans, profit distribution plans and loss recovery plans, formulating the plans for merger, spin-off, dissolution and change of corporate form of our Bank, formulating the proposed amendments to the Articles of Association, formulating the basic management system of the Bank.

The Board of Directors has established seven special committees, including Strategy and Asset and Liability Management Committee, Nomination and Remuneration Committee, Internal Control and Compliance Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee, and Consumer Rights and Interests Protection Committee.

Board of Supervisors

The Board of Supervisors is accountable to the Shareholders' general meeting. Its principal responsibilities include supervising the financial operations of the Bank and performance of the Board of Directors and the senior management. The Board of Supervisors conducts special surveys and inspections on specific areas, attends important meetings, and conducts supervision in order to understand the operation and management situation of the Bank and provides supervisory advice. The Board of Supervisors has established the Office of the Board of Supervisors, the Nomination Committee and the Supervisory Committee.

Senior Management

The senior management is responsible for the daily operation of our Bank. The president is accountable to the Board of Directors and may organize and conduct the business management of our Bank within the authorization of the Board of Directors and in accordance with laws, administrative regulations and other rules and the Articles of Association. Our Bank has appointed three vice presidents and other senior management to work with the president of our Bank and perform their respective management responsibilities.

The Party Committee

The Bank has established a basic committee for the Communist Party of China (the "**CPC**"), which would play a leadership role within the Bank to steer direction, supervise decision-making and facilitate implementation for the Bank. The committee primarily assumes the following responsibilities:

- consistently following the directions, goals and policies of the CPC, supervising and ensuring that the CPC's major decisions and arrangements and the resolutions of higher-level party organizations are thoroughly implemented within the Bank;

- discussing material operation management matters, supporting the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management to perform their respective duties and exercise rights in accordance with laws and regulations;

- implementing the principle of Party governing the cadre and talents;

- establishing and enhancing the employee's selecting and using mechanism which meets the demand of modern enterprises system requirements and market competition requirements;

- implementing the responsibility for strictly administering the CPC and supporting the discipline inspection committee to implement the supervision responsibility for building a clean and honest government;

- enhancing the self-building of the organization of the Party and Party members;

- leading our Bank's ideological and political work and unions, the communist youth league, women's organizations, etc.; and

- conducting studies and determining other matters that shall be considered and decided by the committee.

The Committee for Discipline Inspection

The Bank has established a basic committee for Discipline Inspection. The committee primarily assumes, among others, the following responsibilities:

- under the leadership of the Party Committee and the discipline inspection commissions at higher levels, assisting the Party Committee in promoting stringent party governance in a comprehensive manner, reinforcing party culture and integrity construction and organizing and collaborating with anti-corruption efforts;

- firmly defending the Constitution of the CPC and other internal regulations of the Party, examining the implementation of the Party's theories and directions, goals and policies, and supervising and inspecting the consistent implementation of CPC Central Committee's major decisions and arrangements;

- assisting the Party Committee in promoting stringent party governance in a comprehensive manner, tightening supervision on the leadership team of the Party Committee, examining the fulfillment of party administration and governance responsibilities by the members of the leadership team of the Party Committee at the same level, and supervising the fulfillment of principal responsibilities by party organizations at lower levels;

- strictly following the spirit of the eight requirements of the central government and the ten requirements of the provincial Party committee and the provincial government and the municipal Party committee and the municipal government, and exerting consistent efforts in combating and rectifying formalism, bureaucracy, hedonism and extravagance;

- generally improving party system such that no one is dared, capable of, or willing to commit corruption, and that corruption will always be punished without tolerance, and that behaviors against disciplines of the party and corruption issues will be investigated and penalized in accordance with the party's disciplines and the laws.

- putting more efforts on the investigation of illegal cases, insisting in punishing corruption cases with nil tolerance, and severely investigating the behaviors in breach of Party disciplines and corruption-related cases in strict compliance with relevant disciplines and laws.

OVERVIEW

Incorporated in 2006, we are a city commercial bank in Yibin, Sichuan Province of China. As of December 31, 2023, we were the largest bank in Yibin in terms of total assets, according to the NAFR Yibin Office. We were also the largest city commercial bank in Yibin and the second largest city commercial bank in Sichuan Province in terms of registered capital as of the same date, according to the NAFR Sichuan Office. Since our inception, we have been closely integrated with the vibrant local economy of Yibin and Sichuan Province, providing tailored financial services to meet the specific needs of local businesses and residents.

Our primary operations and service networks are based in Yibin, situated within the Sichuan Province of southwestern China. Yibin is the first and only National Industry Education Integration Pilot City in southwestern China as of the Latest Practicable Date. In 2023, Yibin witnessed the establishment of a total of 113 majors related to key industries in local universities, as well as the approval for three new provincial-level modern industry education colleges. By leveraging regional resource advantages, we have fostered alliances with the local economy and developed financial products and services. Our corporate banking business is strategically aligned with economic development in Yibin, supported by dedicated industry research groups and specialized sub-branches that serve enterprises of all sizes operating in regionally competitive sectors. Our retail banking business capitalizes on the rapidly expanding population and domestic market in Yibin. Through the implementation of a "comprehensive retail banking" concept, we have created an interconnected retail ecosystem that bridges retail, corporate, and financial market businesses, leveraging the data on customer needs and preferences gathered from different services to deliver personalized financial products and services to local residents and individual business owners. By fostering development across different lines of business, we continually strive to create a comprehensive and seamless banking experience for our customers. As of June 30, 2024, our total customer deposits (excluding accrued interest) and gross loans and advances to customers reached RMB78,506.6 million and RMB54,820.3 million, respectively.

Our service network is intertwined with the dynamic economic mechanisms of Sichuan Province and the Chengdu—Chongqing Dual-city Economic Circle. With a focus on enhancing our digital systems and advancing our financial technology capabilities, we are able to offer distinct digitalized services through various channels, including through our "1+N" supply chain financial service model. See "– Digitalization – Financial Services – Online Lending." As of the Latest Practicable Date, the branch network of our Bank consisted of 40 facilities (including 39 branches and sub-branches and one head office), covering Yibin and Neijiang. We additionally work to integrate our online electronic banking channels with offline branch networks and facilities to further expand our business channels and broaden our customer base, which enables us to effectively cater to our customers' diverse needs and ensure efficient delivery of our financial products and services to their intended customer groups.

Benefiting from our robust development strategies and regionally distinctive portfolio of financial products and services such as established specialized sub-branches dedicated to serving the Baijiu sector, the green new energy sectors and the technology-oriented enterprises; and providing bank acceptance services to upstream and downstream partners of Wuliangye Group, including its suppliers and the distributors and retailers of its products. Our total assets increased by 17.4% from RMB68,490.4 million as of December 31, 2021 to RMB80,413.3 million as of December 31, 2022, then increased by 16.2% to RMB93,444.0 million as of December 31, 2023, and further increased by 7.2% to RMB100,192.8 million as of June 30, 2024. In addition, our operating income increased by 15.2% from RMB1,620.8 million in 2021 to RMB1,867.0 million in 2022, and further increased by 16.2% to RMB2,169.8 million in 2023. Our operating income remained relatively stable at RMB1,075.9 million and RMB1,078.0 million in the six months ended June 30, 2023 and 2024, respectively. As we strive for business expansion, we remain committed to maintaining prudent risk management and internal controls, prioritizing the preservation of asset quality. Our asset quality continued to improve during the Track Record Period. As of June 30, 2024, our non-performing loan ratio and allowance coverage ratio was 1.72% and 254.97%, respectively.

We have received a number of awards and honors in recognition of our exceptional performance and sound management. See "– Awards and Recognition." For instance, we ranked first in the comprehensive evaluation of "supporting local economic development and controlling local financial risks by banking financial institutions in Yibin" from 2020 to 2023. The table below sets forth certain important awards and honors we received during the Track Record Period:

Year(s)	**Award/Certificate**	**Awarding Body**
2024	2023 Outstanding Unit in Information Publicity (2023年信息宣傳優秀單位)	Sichuan Urban Commercial Bank Association (四川省城市商業銀行協會)
2024	Iron-horse Award – Best Supply Chain Finance Bank (鐵馬-最佳供應鏈金融銀行)	2024 (12th) Summit for the Development of Small and Medium-sized Banks (2024年(第十二屆)中小銀行發展高峰論壇)
2023	Best Commercial Bank of 2023 at 2023 (7th) Boao Enterprise Forum	Boao Enterprise Forum Organizing Committee
2023	2021-2022 Best Social Responsibility Practical Case Award	Sichuan Banking Association
2023, 2022, 2021	Ranked first in the comprehensive evaluation of "supporting local economic development and controlling local financial risks by banking financial institutions in Yibin"	Yibin Municipal Financial Work Bureau, Yibin Municipal Finance Bureau, Yibin Municipal Government SASAC, the PBoC Yibin Branch and China Banking and Insurance Regulatory Commission Yibin Regulatory Authority
2022	Best City Commercial Bank at 2022 (6th) Boao Enterprise Forum	Boao Enterprise Forum Organizing Committee
2022	Outstanding Contribution Award for Mobile Payment Facilitation Project	China UnionPay Sichuan Branch
2022, 2021	Excellent Strategic Partner Award at the 25th and 26th Wuliangye 1218 Annual Convention: Achieving Shared Growth Through Collaboration	Wuliangye Group

OUR COMPETITIVE STRENGTHS

We believe the following competitive advantages have positioned us favorably in the banking industry in Yibin and will contribute to our future growth:

Integration with the Thriving Local Economy in Yibin, Sichuan Province, Entailing Significant Growth Potential

Our principal operations and service networks are situated in Yibin, Sichuan Province. As the economic sub-center of Sichuan Province and a central city in the South Sichuan Region, Yibin has significantly capitalized on its strategic location, experiencing rapid economic development in recent years. Moreover, as the city's lifeline, Yibin's abundant talent pool has significantly contributed to the regional financial environment's improvement and local industries' rapid growth. Yibin is the first and only National Industry Education Integration Pilot City in southwestern China as of the Latest Practicable Date. In 2023, Yibin witnessed the establishment of a total of 113 majors related to key industries in local universities, as well as the approval for three new provincial-level modern industry education colleges. Additionally, Yibin attracted over 2,000 in-demand talent with doctoral or master's degree in 2023, representing an increase of 49.0% comparing to 2022. With the rich educational resources, Yibin had over 100,000 enrolled college students as of December 31, 2023.

Yibin's thriving local economy, abundant talent resources and expanding population have laid a solid foundation for our development in both corporate banking and retail banking businesses. Yibin's regional GDP experienced a significant growth at a CAGR of 9.7% from RMB263.3 billion in 2019 to RMB380.7 billion in 2023. The urban household disposable income per capita of Yibin also grew at a CAGR of 5.1% from RMB36,694 in 2019 to RMB44,739 in 2023. Our integration with the local market facilitated a steady growth in our results of operations derived from businesses in Yibin during the Track Record Period. Our corporate and personal loans disbursed to customers in Yibin increased from RMB17,819.7 million as of December 31, 2021 to RMB23,160.8 million as of December 31, 2022, then increased to RMB27,678.5 million as of December 31, 2023, and further increased to RMB29,666.7 million as of June 30, 2024, accounting for 52.8%, 58.7%, 62.7% and 63.5% of our gross corporate loans and personal loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our customer deposits from Yibin increased from RMB42,146.8 million as of December 31, 2021 to RMB52,328.3 million as of December 31, 2022, then increased to RMB63,027.7 million as of December 31, 2023, and further increased to RMB70,714.6 million as of June 30, 2024, accounting for 88.9%, 89.9%, 90.3% and 90.1% of our total customer deposits (excluding accrued interest) as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Yibin is committed to promoting high-quality industrial development to drive the continuous local economic growth. According to "14th Five-Year Plan" of Yibin, Yibin's GDP is expected to exceed RMB450.0 billion, or reach RMB500.0 billion by 2025. We aim to further capitalize on the expanding market opportunities in Yibin and expect a corresponding increase in our results of operations derived from businesses in Yibin.

Specifically, we have strategically aligned our corporate banking business with Yibin's economic development, assembled dedicated industry research groups, and established specialized sub-branches to serve enterprises of all sizes operating in regionally competitive sectors. While expanding our customer base within the leading local industrial sectors, we are also committed to serving small and micro enterprise customers, striving to offer diverse and tailored financing solutions and services that cater to their financing needs. Our retail banking business, on the other hand, capitalizes on Yibin's rapidly expanding population and domestic market. Through a "comprehensive retail banking" concept, we have created an interconnected retail ecosystem bridging retail, corporate and financial market businesses, leveraging data of customer needs and preferences collected from provision of various services to deliver personalized financial products and services to local residents and individual business owners. By fostering development across different lines of business, we strive to create a comprehensive and seamless banking experience for our customers.

Through in-depth comprehension of the region's economic needs, alignment with local policies, and provision of financial products and services customized to meet industry demands, we have achieved swift and consistent growth during the Track Record Period. Our total assets increased by 17.4% from RMB68,490.4 million as of December 31, 2021 to RMB80,413.3 million as of December 31, 2022, then increased by 16.2% to RMB93,444.0 million as of December 31, 2023, and further increased to RMB100,192.8 million as of June 30, 2024. In addition, our operating income increased by 15.2% from RMB1,620.8 million in 2021 to RMB1,867.0 million in 2022, then increased by 16.2% to RMB2,169.8 million in 2023. Our operating income remained relatively stable at RMB1,075.9 million and RMB1,078.0 million in the six months ended June 30, 2023 and 2024, respectively. As of December 31, 2023, we were the largest bank in Yibin in terms of total assets, according to the NAFR Yibin Office.

Differentiated Retail Banking Business Underpinned by the "Comprehensive Retail Banking" Strategy

As a local commercial bank, we are committed to serving urban residents and facilitating the development of local retail banking business. Building upon the traditional retail banking businesses including personal loans and personal savings, we have strategically developed a "comprehensive retail banking" concept that connects retail banking business with other service scenarios including corporate banking and financial market businesses, while leveraging online electronic channels and big data analysis to achieve development across business lines. Our "comprehensive retail banking" concept brings benefits including:

Expanding Retail Customer Base: Through our online electronic channels, we have developed diverse retail products and services, attracting deposits, expanding our retail customer base, and enhancing customer loyalty. For example, we have developed a mobile payment platform, Qianhuahua, which empowers various mobile payment scenarios such as campus payments, company canteens, hospitals, property management, vegetable markets and public transportation. This platform enables individual business owners to conveniently accept payments through QR codes. As funds received through Qianhuahua are settled into merchants' account with our Bank, Qianhuahua allows us to attract demand deposits while expanding our customer base and strengthening customer loyalty. As of June 30, 2024, the aggregate deposit balance for bank accounts used for Qianhuahua settlement has reached RMB2.0 billion. We also provide a range of essential agency services closely related to the local economy and people's livelihood, such as payment of public utility bills and public transportation IC card recharge agency, making our retail banking business an integral part of local residents' lives. Additionally, by offering payroll services and collection agency services to institutions and enterprises, we are able to attract stable deposits while achieving seamless circular flow between corporate and personal deposits, establishing a linkage between public and private sectors. Benefiting from our diversified and locally oriented retail products and services, our personal deposits and customer numbers have grown rapidly during the Track Record Period. Our personal deposits increased from RMB20,055.5 million as of December 31, 2021 to RMB25,161.8 million as of December 31, 2022, then increased to RMB32,041.7 million as of December 31, 2023, representing a CAGR of 26.4% from 2021 to 2023 and further increased to RMB38,971.6 million as of June 30, 2024. The number of our personal deposit customers increased from 733.0 thousand as of December 31, 2021 to approximately 773.0 thousand as of December 31, 2022, then increased to approximately 836.0 thousand as of December 31, 2023, and further increased to approximately 875.2 thousand as of June 30, 2024.

Development Across Business Lines: Guided by our "comprehensive retail banking" concept, we connect traditional retail banking businesses, including personal loans and personal savings, with other business lines such as corporate banking business, utilizing big data analysis based on customer data collected through different types of services to deliver personalized financial products and services catering to customers' specific needs, further fostering development across business lines. For example, based on the information on individual business owners provided by the Qianhuahua platform, we are able to understand their business performance and explore their business needs, further recommending suitable loan services that meet their financial needs. Through payroll services provided to institutions and enterprises, we are able to understand individual employees' financial conditions and recommend suitable personal wealth management services to individuals. Our capabilities in big data analysis also enable us to effectively assess the liquidity and repayment capability of individuals and individual business owners, reducing our asset risks in providing financial products. With data-driven insights and customer preferences, we continuously improve various business scenarios, develop innovative retail products that cater to local needs, and achieve cross-selling and combination marketing, better serving local residents.

Digitalizing Retail Banking Service Business: We are dedicated to digitalizing our retail banking business services and integrating online and offline services to bring convenient, efficient and secure services for retail customers. We have established comprehensive electronic banking channels through online banking, mobile banking, WeChat banking, direct banking, and telephone banking to provide easily-accessible financial services, and have further crafted customized financial products through electronic banking channels to effectively broaden our customer outreach, streamline service process and facilitate retail banking business growth. For example, through our "1+N" supply chain financial service model, we offer convenient online lending services to numerous enterprises in various industries. See “– Digitalization – Financial Services – Online Lending.” While conducting offline due diligence procedures before extending loans online to control credit risk, our online lending platform enables small and micro enterprises in key industrial chains to complete loan applications and receive loan disbursements efficiently. This digitalized integrated marketing and service model helps us achieve standardized and large-scale business operations online, reducing customer acquisition costs and improving efficiency. During the Track Record Period, our total online loan disbursements amounted to approximately RMB3.4 billion. As of June 30, 2024, our online loan products had served over 17,000 customers.

Solid Technological Strengths Empowering Sustainable Development

We have built a digital system that supports the operation and management of our core business. Our digital system serves as a stable management and service engine, enabling us to construct a secure, efficient, and convenient digital financial service ecosystem. This ecosystem effectively accomplishes data processing intelligence, business decision automation and self-service capabilities for business functions.

Digital Operational Management. Prioritizing digital operational management, we are committed to promoting a “Self-service, Intelligent, and Smart” banking model to enhance the efficiency and inclusivity of financial services. To this end, we have implemented innovative systems and deployed intelligent hardware devices in our operations such as the customer relationship management systems. These advancements contribute to the refinement of our intelligent service system, offering our customers a more convenient and efficient banking experience.

Our focus on technology extends to our branch and sub-branch operations. In September 2017, we launched the Smart Banking Program, deploying intelligent devices in our branch and sub-branches to automate previously manual processes such as self-service account opening, wealth product subscription and cancellation, large cash transactions and electronic banking management. Over the past five years, we have continuously upgraded and updated our smart banking services, resulting in steady growth in business volume and an increasing device-based transaction rate. Through the centralization and automation of business processing, we are driving our branch and sub-branches to transform from business processing centers into marketing hubs, gradually enhancing operational efficiency across all branch and sub-branches. As a result, our branch and sub-branch productivity has greatly increased.

Financial Services: In terms of technology-enabled financial services, we have been strengthening our data processing capabilities and leveraging big data technology in customer acquisition, marketing, management, and risk control. By meeting the corresponding risk control requirements for customer application scenarios, we are advancing the digitalization of monitoring and early warning systems, as well as the automation of decision-making processes. Our digital transformation has enabled us to cater to various financial scenarios and offer comprehensive technology-enabled financial services, encompassing online payment settlement, account services, and online supply chain loans.

We have established and operated three internet financial business platforms, namely online lending, fund custody and direct banking. For example, in online lending, we offer "Micro Business Loan" product, which is an online, unsecured and revolving credit facility designed for small and micro enterprises to be quickly disbursed without the need for collateral or pledges, supporting their working capital needs. Particularly, in fund custody, we contracted Yibin Municipal Consumer Rights and Interests Protection Committee and Sichuan Financial Holding Digital Technology Co., Ltd. to develop Yibaobao, a prepaid consumption service platform that provides fund custody services to consumers and merchants. It supervises and manages the prepaid funds accepted by merchants to ensure that merchants can only use the funds after fulfilling their obligations to consumers, protecting the interests of consumers while ensuring the safety of merchant funds. Based on the amount of funds under management through Yibaobao, we plan to extend credit to merchants to increase their liquidity, expanding online financing scenarios in the future.

Furthermore, we provide supply chain financing solutions through a "1+N" supply chain financial service model, with "1" referring to the key customers that we leverage as the pivot for our business development, and "N" referring to the upstream and downstream partners of these key customers across their industry value chain. By utilizing the whitelist and endorsement provided by our key customers, we are able to identify premium enterprises in relevant industry chains and provide customized financial products and services catering to their financing needs. For example, our gross loans and advances to upstream and downstream partners of Wuliangye Group (including its suppliers and the distributors and retailers of its products) amounted to RMB734.9 million, RMB536.8 million, RMB1,475.4 million and RMB2,562.1 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, accounting for 2.1%, 1.2%, 2.9% and 4.7% of our gross loans and advances to customers as of the same respective dates. In addition, we have developed the Kaiyi Auto Purchase Loan (凱翼汽車採購貸) tailored to the automotive industrial chain. Our "1+N" supply chain financial service model allows us to maintain and deepen business relationships with large and medium-sized enterprises while attracting individual business owners and small and micro enterprises along critical industrial chains. In addition, under the "1+N" supply chain financial service model, we have independently designed and developed an online loan information system and deployed a risk control engine module based on big data rules. Adhering to rigorous and objective business principles, we carry out online loan businesses. Our online loan products are designed based on traditional supply chain loans and small microloan models. We combine offline operations for core enterprises, including due diligence and visits, review and approval, and contract signing, with online operations for individual borrowers, such as biometric identification, risk identification, approval, contract signing and loan disbursement. Our online supply chain microfinance business focuses on areas such as alcoholic beverages, food and beverages, household appliances, retail supermarkets, logistics services, and vertical e-commerce.

Robust Shareholder Background and Corporate Governance Structure

We benefit from a robust and balanced shareholder structure, supported by government agencies, state-owned enterprises and private businesses.

Our largest shareholder, Wuliangye Group, holds 19.99% of our shares. As a leading player in the Baijiu sector, Wuliangye Group's extensive and quality resource network has provided us with long-term support for our development.

Our shareholders also include local government institutions, such as the Yibin Municipal Finance Bureau (holding 19.987% of our shares), Yibin Cuiping District Finance Bureau (holding 19.98% of our shares), and Yibin Nanxi District Finance Bureau (holding 16.94% of our shares). We have established various strategic collaborations and maintained long-term partnerships with governments and government departments at various levels. This has positioned us as an integral part of municipal finance and bestowed us with competitive advantages in acquiring customers and deposits. For details of our substantial shareholders, see "Substantial Shareholders."

We also take pride in our excellent corporate governance structure, with the General Meeting of Shareholders acting as the power institution, the Board of Directors as the decision-making institution, the Board of Supervisors as the supervisory institution, and the management as the executive institution. See "Directors, Supervisors and Senior Management." Moreover, we have established a comprehensive internal control system that covers vital areas such as business operations, financial management, and human resources. This system guarantees proactive risk identification and prevention, ongoing assessment and control, and post-monitoring and rectification. Specific measures include effective internal control governance, a clear and organized organizational structure, comprehensive and standardized management systems, and core business management systems that effectively restrict risk points through system controls. To further bolster our internal control assurance and improve its effectiveness, we have established information communication mechanisms, enhanced business continuity management systems, standardized human resource management, strengthened internal control performance evaluation, and cultivated a robust internal control compliance culture.

Prudent and Effective Risk Management Leading to Improved Asset Quality

One of our fundamental strengths lies in our comprehensive approach to risk management, which is closely tied to maintaining excellent asset quality. We maintain a prudent risk preference and a commitment to compliance, aiming to strike a balance between risk control and moderate returns. Our objective is to integrate safety, liquidity, and profitability while diligently working towards balancing capital, risk, and returns.

Our comprehensive risk management system is continuously refined and covers credit risk, market risk, operational risk, and liquidity risk. We have established a three-tiered defensive line that interconnects and balances various business departments, the risk management department and the compliance management department and the internal audit department.

To enhance our efforts in credit risk control, we align with regional development strategies. Our credit policy guidance undergoes annual updates, and we implement cautious customer selection and strict industry access control. We have established a dynamic authorization mechanism and consistently reinforced the pre-loan review, deliberation, and approval process. Furthermore, we have developed policies and implementation rules that encompass the entire credit approval process, from investigation and review to approval and post-loan management.

We have implemented a stringent mechanism for assessing asset quality, which is linked to performance-based compensation. By refining assessment objectives across multiple dimensions such as new overdue, new non-performing, stock clearance, and deviation, we motivate our business units to proactively manage risks and impose strict controls on asset quality management.

In addition, we have fostered a comprehensive compliance culture to enhance the compliance awareness of our management and employees, strengthen compliance regulatory measures, and improve risk management mechanisms. We have an organizational structure for compliance management, clearly defining management responsibilities at all levels, from senior management to departments and employees. We have also established a full-cycle compliance management mechanism, covering risk prevention, risk identification, risk monitoring, measure improvement, assessment, and employee education and training. This ensures that ongoing compliance with applicable laws and regulations becomes a prerequisite and safeguard for business development.

Benefiting from our risk and compliance management system, our asset quality continued to improve during the Track Record Period. Our NPL ratio decreased from 2.27% as of December 31, 2021 to 1.77% as of December 31, 2022, then decreased to 1.76% as of December 31, 2023, and further decreased to 1.72% as of June 30, 2024. Our allowance coverage ratio increased from 198.35% as of December 31, 2021 to 213.40% as of December 31, 2022, and further increased to 262.02% as of December 31, 2023. Our allowance coverage ratio remained relatively stable at 262.02% as of December 31, 2023 and 254.97% as of June 30, 2024. We adhere to regulatory financial asset classification standards, ensuring that indicators such as non-performing loan ratios accurately reflect asset quality.

Experienced Management Team and Highly Skilled Workforce

We take great pride in our experienced and visionary senior management team. Our Chairman, Mr. Xue Feng, brings approximately 25 years of extensive experience in the banking industry. With managerial roles in various state-owned major banks, nationwide joint-stock commercial banks and financial institutions, including China Construction Bank, Minsheng Bank, and an investment fund company under Sichuan Development Company, Mr. Xue brings invaluable strategic foresight and expertise in bank management, strategic planning, and business development, which are of immense value to us. Mr. Yang Xingwang, our President, contributes over 30 years of banking experience to our leadership. Having presided over several branch and sub-branches and rural banks of Yibin City Commercial Bank, Mr. Yang possesses a valuable combination of grassroots branch experience and head office management knowledge. He has a deep understanding of the Bank's history, business operations, and development, and has rich banking operational experience.

Our Board of Directors includes distinguished members such as Ms. Zhao Jingmei, an independent director who is a professor at the Southwestern University of Finance and Economics, and Mr. Yao Liming, an independent director who serves as the deputy dean of the Business School of Sichuan University. Our Board of Supervisors consists of individuals with diverse expertise, including Mr. Kang Yong, who brings valuable experience from his previous work within the PBoC and the CBIRC. Our external supervisors include Ms. Zhang Jufang, a former chief financial officer of a listed company, Ms. Chen Qian, a practicing lawyer, and university professors Mr. Xu Jiagen and Mr. Shan Chengyi. Additionally, our management team includes Vice President Mr. Zhu Bo and Chief Information Officer Mr. Tang Xudong, both with previous work experience within the PBoC system. Moreover, our senior management team include three individuals with doctoral degrees and one International Certified Internal Auditor.

The collective industry diversity of our directors and the vast management experience of our management team provide unique insights into the financial industry, local industries, and regulatory policies, ensuring the smooth operation and development of our bank.

At the core of our operations is our professional, dedicated, and experienced workforce. We have established a comprehensive salary management system and implemented proactive recruitment strategies to attract professional talent. Our training system covers all aspects and processes of business lines and capability development. We have also established a smooth promotion channel and improved market-oriented selection, assessment, and management mechanisms for high-level scarce talent, scarce professional talent, and innovative entrepreneurial talent. This comprehensive approach promotes the development of a well-rounded and talented team.

OUR DEVELOPMENT STRATEGIES

Our vision is to enhance our brand value and become a leading bank with regional influence in western China. We intend to achieve this vision through the following strategic initiatives:

Consolidating Regional Advantages and Promoting Business Transformation

We plan to leverage our existing regional integration business model to further strengthen our regional advantages and deepen our presence in the local market.

In terms of corporate banking, we aim to further integrate with key industrial clusters in Yibin, including Baijiu, power battery, photovoltaics and digital economy sectors. We aim to broaden our reach among enterprises within the key industrial clusters, while continuously enhancing specialization, driving industry advancements, expanding our customer base, and developing comprehensive financial solutions. We expect to become a dependable long-term financial partner for local businesses and facilitate local economic development by leveraging our specialized sub-branches to introduce more customized, innovative products and services that address the critical financing needs of enterprises within each distinct industry.

In the retail banking sector, we plan to advance the transformation of our retail banking business, reinforcing the implementation of our "comprehensive retail banking" strategy. This strategy entails development among loans, deposits and financial market businesses to closely align with customer needs and enhance customer loyalty.

Furthermore, in terms of business channels, we plan to continually optimize and adjust the branch network layout in Yibin and other remote branch areas. Through intelligent transformation of our branch network, we will provide fast and convenient services to our customers. We also intend to strengthen our online electronic channels, expanding the coverage of online banking, mobile banking, WeChat banking, and other channels to broaden our customer base. Through these measures, we aim to further enhance the interactive and integrated customer experience both online and offline. With innovation at the core of our product development and services, we aim to create more values to our customers through cross-selling and the provision of comprehensive life financial services, including savings, loans, exchanges, and wealth management. By strengthening the transformation of our retail banking business, expanding our foundation in savings business, facilitating our credit business, and exploring the potential of retail intermediary business, we strive to build a deeply cultivated online and offline integrated digital bank that is specially tailored to meet the needs of customers in Sichuan Province and surrounding areas.

Innovating Technology-based Financial Services and Advancing Digital Transformation

An integral part of our strategy is to drive organizational digital transformation. Through the introduction of advanced technology and continuous innovation, we have successfully strengthened our operational systems and improved operational efficiency and effectiveness. This ongoing process has enhanced our comprehensive capabilities, and ensured our competitive advantage within the industry.

We plan to further advance multiple projects to promote digitalization, driving the online and intelligent transformation of marketing, transactions, risk control and operations. Our goal is to achieve mobile office, data-driven management and digital operations, laying the foundation for digital, intelligent and modern bank development, and empowering high-quality bank growth.

We plan to accelerate the construction of our digital information system. We aim to create customer-centric, intelligent, scenario-based, and ecosystem-oriented digital financial service applications, establish digital business management applications, and continuously enhance our digital business capabilities.

Furthermore, we intend to expedite the development of our digital infrastructure. We plan to construct a new main data center, a same-city disaster recovery center and the Chengdu data center, forming the three major environmentally friendly data centers. We plan to establish a unified monitoring platform that covers all aspects of information technology resources, build an automated operation and maintenance system, continuously improve the level of operational and maintenance automation, and effectively ensure business continuity.

We are also strengthening the construction of our data governance system. We intend to comprehensively deepen the application of data in business operations, risk management and internal control, effectively driving our digital transformation efforts.

Additionally, we plan to reinforce our information technology governance system. We intend to actively promote the professional division of information technology work, improve the organizational structure of information technology, maintain stable growth and iterative updates of the information technology team, and attract professionals in data governance, architectural design, big data, artificial intelligence, network security and other areas. We intend to implement regulatory requirements while considering our specific circumstances to promote the standardized construction of governance systems in critical areas such as information technology.

Optimizing Governance Structure, Enhancing Risk Management and Internal Control Capabilities

Clear corporate governance structure, robust risk management, and comprehensive internal control systems are crucial for our long-term sustainable development. Building upon our existing corporate governance framework, we intend to continuously enhance our risk management and internal control systems. We plan to establish an effective end-to-end risk management framework, raise employee risk awareness, and strengthen internal control capabilities. This will involve reinforcing audit mechanisms and other control measures, as well as leveraging modern technological advancements to improve risk identification and assessment capabilities. These efforts are expected to further enhance our ability to mitigate risks.

In terms of risk management, we plan to adhere to the principles of alignment, comprehensive coverage, independence and effectiveness. We intend to strengthen risk monitoring, identification, early warning, and disposal capabilities for various financial risk categories, including credit risk, market risk, liquidity risk, operational risk and compliance risk. Additionally, we plan to clarify the responsibilities of the three-tiered defensive line in risk management, establish a unified risk appetite and limit system across the entire organization, define risk management approaches for different risk categories, improve stress testing systems, emergency plans and mechanisms for assessing capital and liquidity adequacy. By doing so, we aim to enhance our ability to respond promptly and effectively to emergencies and crisis situations. We will also improve and implement risk reporting and communication mechanisms while continuously strengthening our intelligent risk control infrastructure. We believe that maintaining stable operations in an ever-changing financial landscape requires a robust risk management framework that enables us to proactively identify, measure and mitigate potential risks.

In addition to risk management, we emphasize the ongoing enhancement of our internal control systems. We recognize the crucial role of internal controls in achieving business objectives, ensuring reliable financial reporting, and maintaining compliance with laws and regulations. Therefore, we plan to allocate resources to strengthen our internal control environment, evaluate the effectiveness of control activities, and monitor and rectify any deficiencies. This comprehensive approach would ensure that our operations remain compliant and efficient, fortifying our resilience against potential operational, financial, and compliance risks.

Strengthening Talent Leadership and Improving Incentive Mechanisms

Our employees are instrumental to our continual success, and we recognize the value of cultivating a highly-professional and motivated workforce. We have implemented a comprehensive talent development system and a transparent promotion pathway to drive innovation and business development. We continuously attract, retain, and develop highly skilled individuals who play a pivotal role in advancing our strategic objectives.

We are committed to continuously refining the top-level design of our talent system. We plan to actively promote differentiated and detailed performance evaluation system, enhance the market-oriented hiring mechanism for highly-skilled talent, and explore the implementation of incentive measures. By aligning individual performance with the bank's strategic goals, we intend to foster a culture of excellence that propels us towards our vision of becoming a leading regional bank.

OUR PRINCIPAL BUSINESS LINES

Integrated with the thriving local economy in Yibin, Sichuan Province, we provide customized financial services for local customers based on our understanding of local market dynamics. Our core business lines include corporate banking, retail banking and financial markets tailored to address the distinct financial needs of diverse customer groups. The following table sets forth a breakdown of our operating income by business line for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)									
							(unaudited)			
Corporate banking	1,255.9	77.5	1,482.1	79.4	1,604.5	74.0	797.2	74.1	759.4	70.4
Retail banking	297.1	18.3	328.2	17.6	458.4	21.1	172.3	16.0	234.5	21.8
Financial markets	67.1	4.1	56.2	3.0	106.1	4.9	106.1	9.9	83.9	7.8
Unallocated[(1)]	0.8	0.0	0.5	0.0	0.8	0.0	0.2	0.0	0.2	0.0
Total	1,620.8	100.0	1,867.0	100.0	2,169.8	100.0	1,075.9	100.0	1,078.0	100.0

Note:

(1) Represents operating income that are not directly attributable to any specific business line, including rental income and other miscellaneous income.

The following table sets forth our operating income by nature for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)									
							(unaudited)			
Net Interest income	1,382.2	85.3	1,752.3	93.9	1,785.6	82.3	862.7	80.2	827.8	76.8
Net fee and commission income	32.7	2.0	39.4	2.1	43.9	2.0	16.1	1.5	36.9	3.4
Net gains/(losses) on trading activities	171.2	10.5	(35.0)	(1.9)	291.8	13.4	183.2	17.0	130.0	12.1
Net gains on financial investments	11.0	0.7	86.5	4.6	10.6	0.5	0.6	0.0	69.8	6.5
Other operating income[(1)]	23.7	1.5	23.8	1.3	37.9	1.7	13.4	1.3	13.4	1.2
Operating income	1,620.8	100.0	1,867.0	100.0	2,169.8	100.0	1,075.9	100.0	1,078.0	100.0

Note:

(1) Primarily consists of government grants and rental income.

The following table sets forth our total fee and commission income by type of fee- and commission-based products and services for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in millions)				
				(unaudited)	
Commission-based					
Bank acceptance	9.4	29.1	27.4	13.8	14.5
Entrusted loan	4.2	15.2	5.8	5.0	4.3
Bancassurance	0.4	0.2	0.1	0.04	0.05
Fee- and commission-based					
Letters of guarantee	1.1	0.9	0.7	0.3	0.5
Fund custody and settlement services	1.6	0.5	0.3	0.1	0.04
Wealth management services	31.6	17.4	35.1	9.9	28.4
Others[(1)]	4.9	2.5	5.9	2.2	6.0
Total	53.2	65.8	75.3	31.3	53.7

Note:

(1) Primarily include collection agency services, bank card service fees and syndicated loan fees.

For our net fee and commission income, see "Financial Information – Results of Operation for Years Ended December 31, 2021, 2022 and 2023 – Net Fee and Commission Income" and "Financial Information – Results of Operation for Six Months Ended June 30, 2023 and 2024 – Net Fee and Commission Income."

Corporate Banking

We provide corporate and institutional customers with a wide range of financial products and services, including corporate loans, bill discounting and rediscounting, corporate deposits and fee- and commission-based products and services. Our corporate banking business is strategically aligned with the economic and industrial development of Yibin to capture emerging market opportunities and achieve sustainable growth, serving enterprises of varying scales in different industries.

Through our strategy of integrating with local industries, we have assembled industry research groups and established specialized sub-branches, including Wuliangye sub-branch and Jiusheng Road sub-branch dedicated to serving the Baijiu sector, Green Finance sub-branch dedicated to serving the green new energy sectors, as well as the only Technology sub-branch in Yibin dedicated to serving technology-oriented enterprises. Our specialized sub-branches cater to the unique characteristics of the sectors they intended to serve, and offer customized and innovative products and services that address the core financing needs of enterprises in different sectors. See "– Service Network – Branch Network and Self-service Banking Facilities."

In addition, our corporate banking products and services are crafted to cater to enterprises of varying scales, spanning from large, medium to small and micro enterprises. To deepen business relationships with large enterprises and expand corporate banking customer base, we have established the key account department responsible for marketing and customer relationship management, which actively sources potential business opportunities and provides customized customer services for key corporate banking customers. In addition to large and medium-scale corporate banking customers, we are also actively expanding our customer base among small and micro enterprises, striving to better serve the small and micro enterprises with government and policy support. We have continuously introduced innovative inclusive finance products to strengthen our credit support for small and micro enterprises, striving to contribute to the local economies, support small and medium-sized enterprises and serve urban residents. See "– Corporate Loans – Distribution of Corporate Loans by Size of Customers – Loans to Small and Micro Enterprises."

Our comprehensive and customized products and services, coupled with our attentive customer relationship management initiatives, have established ourselves as a trusted financial partner for local enterprises. We have established a large and stable corporate banking customer base primarily consisting of state-owned enterprises and private enterprises from various industries including construction, wholesale and retail trade, manufacturing and renting and business activities. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the number of our corporate loan customers was approximately 1,400, 1,800, 1,890 and 2,190, respectively, and the number of our corporate deposit customers was approximately 14,500, 15,900, 17,400 and 18,600, respectively. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, operating income from our corporate banking business amounted to RMB1,255.9 million, RMB1,482.1 million, RMB1,604.5 million, RMB797.2 million and RMB759.4 million, respectively, accounting for 77.5%, 79.4%, 74.0%, 74.1% and 70.4% of our total operating income for the same respective periods.

Corporate Loans

The majority of our corporate loan customers are enterprises and institutions that are located or maintain their principal operations within the Sichuan Province. Corporate loans represented the largest component of our loan portfolio during the Track Record Period. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our corporate loans amounted to RMB28,037.8 million, RMB34,485.5 million, RMB39,162.2 million and RMB41,905.5 million, respectively, accounting for 79.2%, 79.0%, 76.2% and 76.4% of our gross loans and advances to customers as of the same respective dates.

Distribution of Corporate Loans by Product Type

Our corporate loans primarily comprise working capital loans, fixed asset loans and merger and acquisition loans to satisfy our corporate banking customers' diverse financing needs. The following table sets forth our corporate loans by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Working capital loans	17,222.1	61.4	20,065.2	58.2	22,111.5	56.5	23,661.3	56.4
Fixed asset loans	10,650.7	38.0	14,265.3	41.4	16,976.6	43.3	18,175.4	43.4
Others(1)	165.0	0.6	155.0	0.4	74.1	0.2	68.8	0.2
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Note:

(1) Represents merger and acquisition loans.

- *Working Capital Loans.* We provide working capital loans to our corporate banking customers to address their financing needs in their daily operations. Our working capital loans include short-term loans due within one year and medium-term loans due in five years. Our working capital loans are generally guaranteed or secured.

- *Fixed Asset Loans.* We provide fixed asset loans to our corporate banking customers mainly to address their financing demands for construction, purchase and renovation of fixed assets, including basic construction loans, renovation loans, high-standard farmland construction loans, real estate development loans and other fixed assets acquisition loans. Generally, our fixed asset loans have maturities between one to ten years.

- *Others.* We also provide financing support of other kinds tailored to our corporate banking customer's needs, such as merger and acquisition loans.

Distribution of Corporate Loans by Maturity

In terms of loan maturity, our corporate loans can be categorized as short-term loans and medium- to long-term loans. The following table sets forth our corporate loans by maturity as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Short-term loans(1)	9,346.4	33.3	11,166.9	32.4	9,185.1	23.5	13,397.6	32.0
Medium- to long-term loans(2)	18,691.4	66.7	23,318.6	67.6	29,977.1	76.5	28,507.9	68.0
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Notes:

(1) Refers to loans with a maturity of one year or less.

(2) Refers to loans with a maturity of more than one year.

Distribution of Corporate Loans by Industry

We have developed a balanced and diversified corporate banking business structure, spanning a broad spectrum of industries primarily including wholesale and retail trade, construction, manufacturing and renting and business activities. The following table sets forth the distribution of our corporate loans by industry as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Wholesale and retail trade	6,427.0	22.9	7,358.0	21.3	9,328.7	23.9	10,652.1	25.4
Construction	6,279.4	22.4	7,969.5	23.1	8,564.6	22.0	8,345.4	19.9
Manufacturing	3,766.7	13.4	3,681.9	10.7	4,203.1	10.7	4,441.5	10.6
Renting and business activities(1)	3,081.3	11.0	3,174.4	9.2	3,456.4	8.8	3,573.2	8.5
Agriculture, forestry, animal husbandry and fishery	608.6	2.2	1,810.0	5.2	2,698.4	6.9	3,021.3	7.2
Education	2,500.4	8.9	2,718.3	7.9	2,574.6	6.6	2,793.2	6.7
Water, environment and public facilities management	1,478.6	5.3	2,568.6	7.4	2,625.3	6.7	2,551.2	6.1
Real estate	1,061.2	3.8	1,575.1	4.6	2,008.2	5.1	2,125.2	5.1
Electricity, heat, gas and water production and supply	231.6	0.8	842.1	2.4	824.5	2.1	1,213.6	2.9
Others(2)	2,603.0	9.3	2,787.6	8.2	2,878.4	7.2	3,188.8	7.6
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Notes:

(1) Renting and business activities primarily refer to investment and asset management, consulting services, comprehensive management services, mechanical equipment operating lease, advertising and human resource services. Renting and business activities are generally not relevant in considering the risks and concerns relating to the real estate industry.

(2) For details of other industries, see Note 3.1.6(e) of Appendix I to this Prospectus.

We have introduced a wide range of corporate loan products to meet the diverse demands of enterprises in various industries, including wholesale and retail trade, construction, manufacturing and renting and business activities. Specifically:

- We provide comprehensive products to facilitate infrastructure construction projects such as park construction, road traffic, land remediation and sewage treatment, and extend support to the continuous development of other local industries, including manufacturing industries such as chemical, textile and papermaking industries. Particularly, we offer innovative corporate loan products that serve the entire business process of construction enterprises, such as the Migrant Worker's Wage Loan (民工工資貸) for their wage payment, and the Project Progress Loan (工程進度貸) for their building material procurement.

- We offer well-tailored corporate loan products for service industries, including commerce and logistics, culture and tourism, modern finance, e-commerce, exhibition and night-time economy sectors. For example, we have launched tailored warehouse receipt financing products to bolster bulk commodities transactions, as well as the Huo Dai Tong (貨貸通) product that enables enterprises to pledge commodities in their turnover to secure loan. Additionally, we collaborated with Modern Logistics Development Promotion Association of Sichuan Province (四川省現代物流發展促進會) to extend vehicle purchase loan for automotive vehicle transportation association.

- We have launched tailored agricultural loans in support of the revival of rural areas. We have introduced innovative financial products such as the Rural Revitalization Loan (鄉村振興貸), High Standard Farmland Loan (高標準農田貸), Pig Breeding Outsourcing Loan (生豬養殖貸) and Village Asset loan (村資貸) to fully support the modernization of agriculture and rural areas. We have established the Rural Revitalization sub-branch in Yibin and intend to continually enhance our credit support for farmers, agriculture and rural development, providing well-tailored financing solutions that align with the rural revitalization strategy.

We have also assembled dedicated industry research groups and established specialized sub-branches for regionally competitive sectors, which enables us to offer a variety of innovative corporate banking products and services that align with regional economic and industrial development and advancements. Our specialized sub-branches provide customized innovative products and services that cater to the key financing needs of enterprises within each distinct industry. For example, we have established two specialized sub-branches, namely, the Wuliangye sub-branch and the Jiusheng Road sub-branch, to serve Yibin's long-standing Baijiu industry. Through these specialized sub-branches, we provide reliable and convenient payment and settlement services to the Wuliangye Group and other Baijiu enterprises in Yibin, supporting their production and operating activities. These sub-branches also provide tailored financial products to selected upstream and downstream partners of Wuliangye Group (including its suppliers and the distributors and retailers of its products) and other Baijiu enterprises leveraging our "1+N" supply chain financial model. See "– Digitalization – Financial Services – Online Lending." As of December 31, 2021, 2022 and 2023 and June 30, 2024, the balance of our bank acceptance bills issued to upstream and downstream partners of

Wuliangye Group was RMB4,834.6 million, RMB7,467.3 million, RMB3,184.3 million and RMB3,773.2 million, respectively, accounting for 63.5%, 65.4%, 48.9% and 50.0% of total balance of our bank acceptance bills as of the same respective dates. As of December 31, 2021, 2022, 2023 and June 30, 2024, our gross loans and advances to upstream and downstream partners of Wuliangye Group was RMB734.9 million, RMB536.8 million, RMB1,475.4 million and RMB2,562.1 million, respectively, accounting for 2.1%, 1.2%, 2.9% and 4.7% of our gross loans and advances to customers as of the same respective dates. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our customer deposits (excluding accrued interest) from upstream and downstream partners of Wuliangye Group was RMB1,857.9 million, RMB2,230.9 million, RMB1,073.3 million and RMB1,226.1 million, respectively, accounting for 3.9%, 3.8%, 1.5% and 3.2% of our total customer deposits (excluding accrued interest) as of the same respective dates.

We have also established a specialized Green Finance sub-branch and Technology sub-branch, offering tailored financial solutions for enterprises in the green new energy and technology industries respectively. For instance, in 2022, we launched the Green Procurement Loan, a product specifically designed to facilitate the acquisition of new energy vehicles as a replacement for traditional fuel vehicles. Additionally, we offer the Intellectual Property Pledge Loan, enabling eligible borrowers to capitalize on their intangible assets for financing and promoting the commercialization of their scientific and technological advancements. As of December 31, 2022 and 2023 and June 30, 2024, the balance of our Green Procurement Loan was RMB9.5 million, RMB8.8 million and RMB11.9 million, respectively. In addition, as of December 30, 2021, 2022 and 2023 and June 30, 2024, the balance of our Intellectual Property Pledge Loan was RMB120.0 million, RMB78.0 million, RMB136.7 million and RMB135.7 million, respectively. The following table sets forth a brief description of these specialized products:

Products	**Features**
Green Procurement Loan	• Specifically designed for the purchase of new energy vehicles to replace traditional fuel vehicles; • Offered at an interest rate of 50 basis points lower than other loans of similar terms; • Facilitated through a dedicated fast-track approval process for quicker processing.

Products	Features
Intellectual Property Pledge Loan	• Loans can be collateralized using legally owned and transferable intellectual properties such as patents, registered trademarks or copyrights, provided either by the borrowers or third parties. The intellectual properties used as collateral should have a validity or protection period that exceeds the loan's repayment period by at least five years; • For loans secured by patents (namely, the Patent Right Pledge Loan), loans can be secured using legally granted property rights over invention, utility model and design patents; • The proceeds from these loans can be utilized for purposes such as scientific research, development, creative work, or the construction, operation and management of intellectual property industrialization projects.

We extend corporate loans to enterprises in the real estate industry, including real estate developers and real estate brokerage companies. The real estate industry includes real estate development and operation, property management, real estate agency services and real estate leasing operations, among others. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our corporate loans to enterprises in the real estate sector amounted to RMB1,061.2 million, RMB1,575.1 million, RMB2,008.2 million and RMB2,125.2 million, respectively, representing 3.8%, 4.6%, 5.1% and 5.1% of our total corporate loans as of the same respective dates. Such an increase was primarily attributable to our prudent support of a limited number of high-quality and large scale enterprises in light of the rapid urban development and continuous population growth in Yibin in recent years. The NPL of our corporate loans to enterprises in the real estate industry remained relatively stable at RMB15.1 million, RMB15.1 million, RMB15.4 million and RMB16.2 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively, representing a continued decreasing NPL ratio of 1.42%, 0.96%, 0.77% and 0.76% as of the same respective dates. In addition, among our total corporate loans to the construction sector, as of December 31, 2021, 2022, and 2023 and June 30, 2024, we extended RMB49.0 million, RMB46.8 million, RMB24.4 million and RMB20.5 million, respectively, to borrowers that would use such funds in their involvement with enterprises in the real estate industry, accounting for 0.8%, 0.6%, 0.3%, and 0.3%, respectively, of our total corporate loans to the construction sector. Such enterprises in the real estate industry consist mainly of well-known real estate developers in Yibin or key state-owned enterprises in Yibin that are financially stable and are in a strong position to continue their regular operations. In their involvement with enterprises in the real estate industry, such borrowers would primarily use such loans in their undertakings as contractors to such enterprises in the real estate industry for projects such as construction, greening and water and electricity work. We have taken proactive measures to mitigate risks related to the real estate industry and ensure the stability of our asset quality. See "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans – Credit Risk Management for Risk Exposure related to Real Estate Industries."

Based on the facts that (i) during the Track Record Period, our corporate loans to enterprises in the real estate industry represented a relatively small portion of our total corporate loans, and the associated NPL ratio continued to decrease during the Track Record Period; (ii) we have taken measures to mitigate risks related to the real estate industry and ensure the stability of our asset quality. See "– Retail Banking – Personal Loans – Residential Mortgage Loans;" and (iii) as of June 30, 2024, the loan extended to and the investment relating to property developers with financial difficulties represented a small portion of our corporate loans in real estate sector and the total financial investment, respectively, and we have made sufficient impairment provision on such loan and investment, our Directors are of the view, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on such view of the Directors, that our exposure to the real estate industry does not have material adverse effect on our business operations or financial performance.

We have extended loans to LGFVs during the Track Record Period. LGFVs are typically economic entities with independent legal capacity established by local governments or other departments and institutions which, through fiscal allocation or injection of assets by the government such as land and equity, are responsible for financing government-sponsored projects. LGFVs typically use loan proceeds to make investments in infrastructure or industrial zone construction, renovation of old districts, or development of public interest projects. The debt repayment capabilities are influenced by factors such as the economy of the region and the success of the projects LGFVs finance. The loans to LGFVs are typically repaid with operating cash flows generated from the relevant projects and the local government budget. Our loans to LGFVs primarily include our loans to the LGFVs and our loans to projects where the government and social capital cooperate. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the balance of loans we granted to the LGFVs was RMB774.5 million, RMB914.6 million, RMB678.5 million and RMB678.5 million, respectively, representing 2.2%, 2.1%, 1.3% and 1.2% of our gross loans and advances to customers, respectively, and out of which RMB234.5 million, RMB215.1 million, nil and nil was recognized in the renting and business activities sector while RMB540.0 million, RMB699.5 million, RMB678.5 million and RMB678.5 million was recognized in the construction sector, respectively. The construction loans granted to LGFVs were primarily used on infrastructure construction in Yibin, such as road works and shanty area renovation. In addition, of our total corporate loans to the construction sector, as of December 31, 2021, 2022 and 2023 and June 30, 2024, we extended RMB544.8 million, RMB535.4 million, RMB504.8 million and RMB28.5 million, respectively, to enterprises that would use such funds in their involvement with LGFVs, accounting for 8.7%, 6.7%, 5.9% and 0.3%, respectively, of our total corporate loans to the construction sector. In their involvement with LGFVs, such borrowers would primarily use such loans in their undertakings as contractors to the LGFVs to fulfill projects such as construction of public infrastructure or utilities, and we conduct strict reviews on the source of repayment of each of such loans. A majority of our loans to LGFVs have collaterals such as accounts receivables, fee rights and equity pledges. Based on the facts that as of June 30, 2024, none of our loans to LGFVs was classified as non-performing, and such loans accounted for a relatively small part of our gross loans and advances to customers in the Track Record Period, our Directors are of the view, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on such view of the Directors, that our exposure to LGFVs does not have material adverse effect on our business operations or financial performance.

Distribution of Corporate Loans by Size of Customers

We offer corporate loans to customers of all sizes. The following table sets forth the distribution of our corporate loans by the size of corporate banking customers as of the dates indicated.

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Large enterprises[1]	2,595.5	9.3	2,548.5	7.4	2,576.3	6.6	3,092.0	7.4
Medium enterprises[1]	6,785.8	24.2	7,298.0	21.2	7,135.5	18.2	7,196.0	17.2
Small enterprises[1]	13,502.2	48.2	16,592.3	48.1	18,543.8	47.4	20,090.7	47.9
Micro enterprises[1]	5,154.3	18.3	8,046.7	23.3	10,906.6	27.8	11,526.8	27.5
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Note:

(1) The classification criteria for large, medium, small and micro enterprises are set forth in the Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes. See "Definition and Technical Terms."

Loans to Small and Micro Enterprises

We aim to better serve small and micro enterprise customers and develop our financial service brand for these customers by offering professional, comprehensive and efficient financing solutions and services that cater to their financing needs. Our small and micro enterprises customers operate business in a wide range of industries, including wholesale and retail trade, renting and business activities, construction and manufacturing. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our corporate loans to small and micro enterprises amounted to RMB18,656.4 million, RMB24,639.0 million, RMB29,450.4 million and RMB31,617.5 million, respectively, accounting for 66.5%, 71.4%, 75.2% and 75.4% of our total corporate loans as of the same dates. Our loans to small and micro enterprises grew at a CAGR of 25.6% from 2021 to 2023.

Small and micro enterprises play a crucial role in driving regional economic development. With the support of favorable national policies, inclusive finance products tailored to the needs of small and micro enterprises have remarkable growth potential. Since 2020, we have continually scaled up and pooled the low-cost funds obtained from the PBoC and policy banks through the relending mechanism in support of small and micro enterprises. We in turn granted preferential loans to eligible small and micro enterprises using relevant funds according to relending policies, in an effort to lessen the financing difficulty for small and micro enterprises and lower their financing costs. Our balance of relending funds in support of small and micro enterprises significantly increased from approximately RMB1.0 billion as of December 31, 2021 to approximately RMB1.9 billion as of June 30, 2024.

Unlike large and medium enterprises, small and micro enterprises often have relatively urgent and frequent financing needs. Based on such customer insights, we have streamlined the loan issuance and evaluation process and designated reasonable loan terms and flexible repayment options for small and micro enterprises to offer well-tailored financing solutions. See "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans." In 2023, we entered into a strategic collaboration agreement with Yibin Federation of Industry and Commerce to provide aggregated payment settlement services, as well as high-quality, low interest rate loan products for small and micro enterprises from various industries and associations managed by the federation. We have designated specialized sub-branch for each of the industries and associations to enhance our service quality, assembling dedicated industry research groups for these industries to introduce specialized products.

Loans to Large and Medium Enterprises

Large and medium enterprises are our valuable customer base. Our major large corporate banking customers primarily comprise large state-owned and private enterprises operating in a broad range of industries, such as construction, real estate, wholesale and retail trade industries. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our loans to large and medium enterprises amounted to RMB9,381.4 million, RMB9,846.5 million, RMB9,711.8 million and RMB10,288.0 million, respectively, accounting for 33.5%, 28.6%, 24.8% and 24.6% of our total corporate loans as of the same respective dates.

Bill discounting and rediscounting

Through bill discounting and rediscounting services, we offer short-term financing by virtue of which we purchase bank acceptance bills with remaining maturities of less than six months at discounts. We provide bill discounting services to non-peer corporate banking customers, while we offer bill rediscounting services to other banks and financial institutions. We may resell the discounted and rediscounted bills to the PBoC or other financial institutions licensed to conduct bill rediscounting business, to obtain additional liquidity and net interest income.

In particular, we introduced the innovative Green Bill Discount product to serve Yibin's new energy sectors. Through Green Bill Discount, we provide expedited online bill discounting services for enterprises holding carbon emission reduction bills or bills along the green new energy industrial chains, offering convenient liquidity support to these businesses.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our discounted bills amounted to RMB432.3 million, RMB304.0 million, RMB482.2 million and RMB680.3 million, respectively, accounting for 1.2%, 0.7%, 0.9% and 1.2% of our gross loans and advances to customers as of the same respective dates. As of December 31, 2021, 2022, 2023 and June 30, 2024, our rediscounted bills amounted to RMB1,249.9 million, RMB3,864.4 million, RMB6,830.0 million and RMB7,323.5 million, respectively, accounting for 3.5%, 8.8%, 13.3% and 13.4% of our gross loans and advances to customers as of the same respective dates.

Corporate Deposits

We primarily offer time deposits and demand deposits to our corporate banking customers. We offer deposit products with different terms on interest rates and maturities to meet the demands of various target customer groups. Our time deposit product has maturities ranging from three months to five years. In order to meet the needs of our customers who seek liquidity of funds along with a relatively high interest rate, we offer call deposit and agreement deposit products which feature flexible withdrawal options. Our corporate deposit customers primarily include local government institutions, public institutions, state-owned and private enterprises.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our corporate deposits amounted to RMB27,368.9 million, RMB33,042.3 million, RMB37,750.0 million and RMB39,535.0 million, respectively, accounting for 57.7%, 56.8%, 54.1% and 50.4% of our total customer deposits (excluding accrued interest) as of the same respective dates.

The following table sets forth our corporate deposits, net of interest payables, by product type as of the dates indicated:

	As of December 31,						**As of June 30,**	
	2021		**2022**		**2023**		**2024**	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Demand deposits	18,641.3	68.1	19,724.9	59.7	17,803.2	47.2	20,164.0	51.0
Time deposits	8,727.6	31.9	13,317.4	40.3	19,946.8	52.8	19,371.0	49.0
Total corporate deposits	27,368.9	100.0	33,042.3	100.0	37,750.0	100.0	39,535.0	100.0

We provide our corporate banking customers with a broad range of fee- and commission-based products and services, including bank acceptance, entrusted loans, letters of guarantee, fund custody and settlement, mobile payment, collection agency and wealth management services.

Bank Acceptance

We provide bank acceptance service to our corporate banking customers. The bank acceptance service refers to the issuance of a bill by a drawer with the approval of a bank, according to which, the bank guarantees to pay a pre-determined amount to the payee or the holder of the bill unconditionally on a specified date. The term of our bank acceptance service generally does not exceed six months. During the Track Record Period, the balance of our bank acceptance bills amounted to RMB7,608.6 million, RMB11,412.2 million, RMB6,510.7 million and RMB7,477.3 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our fee and commission income from bank acceptance service amounted to RMB9.4 million, RMB29.1 million and RMB27.4 million, RMB13.8 million and RMB14.5 million, respectively.

In particular, we provide bank acceptance services to upstream and downstream partners of Wuliangye Group, including its suppliers and the distributors and retailers of its products. Wuliangye Group plays an important role in facilitating our bank acceptance business extended to its business partners across its industry value chain by providing whitelist and endorsement to quality suppliers, distributors and retailers of its products, which helps us expand our market presence and customer base. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the balance of our bank acceptance bills issued to upstream and downstream partners of Wuliangye Group amounted to RMB4,834.6 million, RMB7,467.3 million, RMB3,184.3 million and RMB3,773.2 million, respectively, accounting for 63.5%, 65.4%, 48.9% and 50.0% of total balance of our bank acceptance bills as of the same respective dates. By extending bank acceptance bills to the business partners of Wuliangye Group, we are able to increase our revenue from fees and interest gained through bank acceptance businesses, secure a stronger customer base and develop a more diversified asset portfolio.

Entrusted Loans

We extend entrusted loans to designated borrowers on behalf of our corporate banking customers, who determine the uses of proceeds, principal amounts and interest rates of such loans. We monitor the loan utilization status and assist relevant customers in the collection of loans. We charge service fees based on the entrusted loan amounts. In addition to the fee and commission income, our entrusted loan business serves as a stable source for deposits that generates synergy with our corporate deposit business. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our fee and commission income from entrusted loans amounted to RMB4.2 million, RMB15.2 million, RMB5.8 million, RMB5.0 million and RMB4.3 million, respectively.

Letters of Guarantee

We provide letters of guarantee to our corporate banking customers for non-financing purposes, including bidding and performance. Capitalizing on the market opportunity presented by the promotion of electronic tender guarantee by Yibin Public Resources Trading Center, we became the first bank in Yibin that initiated the electronic tender guarantee business on the platform of the trading center. As an early entrant, we are well-positioned to capture the growth opportunities to consistently solidify our market position. Through the joint efforts of our Bank, digital signature agencies, Yibin Public Resources Trading Center and guarantee companies in business, technology and risk management, our electronic tender guarantee business allows for online and automated operations throughout the entire business process from customer application, application approval, digital signature, to issuance and transmission of electronic tender guarantee. Empowered by such innovative finance product supply and digitalized business process, we were able to enhance our operational efficiency and reinforce our market competitiveness. The balance of our letters of guarantees amounted to RMB20.3 million, RMB79.2 million, RMB50.3 million and RMB71.5 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our fee and commission income from letters of guarantee amounted to RMB1.1 million, RMB0.9 million, RMB0.7 million, RMB0.3 million and RMB0.5 million, respectively.

Fund Custody and Settlement Services

We provide online fund custody and settlement services to corporate banking customers. For example, based on our fund custody platform, we contracted Yibin Municipal Consumer Rights and Interests Protection Committee and Sichuan Financial Holding Digital Technology Co., Ltd. to develop Yibaobao, a prepaid consumption service platform that provides fund custody services to consumers and merchants. It supervises and manages the prepaid funds accepted by merchants to ensure that merchants can only use the funds after fulfilling their obligations to consumers, protecting the interests of consumers while ensuring the safety of merchant funds. We plan to extend credit to merchants taking into account the amount of their funds managed under Yibaobao, so as to increase their liquidity and expand online financing scenarios in the future. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our fee and commission income from fund custody and settlement services amounted to RMB1.6 million, RMB0.5 million, RMB0.3 million, RMB0.1 million and RMB0.04 million, respectively.

Mobile Payment Services

Utilizing our exclusive mobile payment platform, Qianhuahua, we provide convenient payment collection services to corporate banking customers, including universities and enterprises, under campus payment and smart parking scenarios. See "– Retail Banking – Other Fee- and Commission-based Retail Banking Products and Services – Mobile Payment Services" for more details on our Qianhuahua platform.

Collection Agency Services

We assist in the collection of gas bills, water bills and social insurance premium on behalf of gas companies, water supply companies and local government institutions, respectively. Our collection agency services secure stable corporate deposit intake and strengthen linkage between public and private sectors. See "– Retail Banking – Personal Deposits." During the Track Record Period, we collected gas bills, water bills and social insurance premium of over RMB254.8 million in aggregate.

Wealth Management Services

We provide wealth management products with flexible terms based on customers' needs and risk tolerance levels, in line with relevant PRC laws and regulations. As of June 30, 2024, we had cumulatively served 104 corporate wealth management customers.

Retail Banking

We offer a wide range of products and services to our retail banking customers, including loans, deposits, bank cards, and other fee- and commission-based services.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had approximately 26.7 thousand, 24.7 thousand, 23.6 thousand and 25.3 thousand personal loan customers, respectively, among which our personal loan customers in Yibin increased from approximately 12.9 thousand as of December 31, 2021 to approximately 14.7 thousand as of December 31, 2022, further increased to approximately 15.3 thousand as of December 31, 2023 and then decreased to 12.8 thousand as of June 30, 2024. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had approximately 733.0 thousand, 773.0 thousand, 836.0 thousand and 875.2 thousand personal deposit customers, respectively. The changes in the number of our personal loan customers from 2021 to 2023 was primarily due to settlement of our offsite internet lending business in accordance with relevant PRC laws and regulations. The increase in the number of our personal loan customers in the six months ended June 30, 2024 was primarily due to our introduction of new loan products, which attracted more customers, as well as our enhanced support for individual business owners and small enterprises in line with regulatory requirements. See "Regulatory Overview – Regulation on Principal Commercial banking Activities – Internet Finance."

Our retail banking business has grown significantly in recent years. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, operating income from our retail banking business amounted to RMB297.1 million, RMB328.2 million, RMB458.4 million, RMB172.3 million and RMB234.5 million, respectively, accounting for 18.3%, 17.6%, 21.1%, 16.0% and 21.8% of our total operating income in the same respective periods.

Personal Loans

We primarily provide personal loans to individual customers to meet their diverse financing needs for personal and business purposes. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our personal loans amounted to RMB5,712.7 million, RMB5,012.6 million, RMB4,917.1 million and RMB4,911.0 million, respectively, accounting for 16.1%, 11.5%, 9.6% and 9.0% of our gross loans and advances to customers as of the same respective dates.

Distribution of Personal Loans by Product Type

Our personal loans comprise personal business loans, residential mortgage loans and personal consumption loans. The following table sets forth our personal loans by product type as of the dates indicated:

	As of December 31,						**As of June 30,**	
	2021		**2022**		**2023**		**2024**	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Personal business loans	2,892.2	50.6	2,143.6	42.8	2,121.4	43.2	2,029.6	41.3
Residential mortgage loans	2,232.5	39.1	2,072.5	41.3	1,944.1	39.5	1,841.6	37.5
Personal consumption loans	588.0	10.3	796.5	15.9	851.6	17.3	1,039.8	21.2
Total personal loans	5,712.7	100.0	5,012.6	100.0	4,917.1	100.0	4,911.0	100.0

<u>Personal Business Loans</u>

We provide personal business loans to individual borrowers such as owners of small and micro enterprises, individual business owners and other retail banking customers engaging in business operation, to replenish the working capital and meet the operating needs of their businesses. In particular, we initiated the "Nectar Plan" to launch a small, revolving and unsecured loan product for registered merchants on Qianhuahua. See "– Other Fee- and Commission-based Retail Banking Products and Services – Mobile Payment Services."

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our personal business loans amounted to RMB2,892.2 million, RMB2,143.6 million, RMB2,121.4 million and RMB2,029.6 million, respectively, accounting for 50.6%, 42.8%, 43.2% and 41.3%, of our total personal loans as of the same respective dates.

Residential Mortgage Loans

We provide our retail banking customers with residential mortgage loans for their purchase, construction and overhaul of residential properties. Residential mortgage loans are secured by the underlying properties purchased by the borrowers. Our residential mortgage loans generally have a term of up to 30 years, and the residential mortgage loan amount generally will not exceed 80% of the purchase price or appraisal value of the property. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our residential mortgage loans amounted to RMB2,232.5 million, RMB2,072.5 million, RMB1,944.1 million and RMB1,841.6 million, respectively, accounting for 39.1%, 41.3%, 39.5% and 37.5%, of our total personal loans and accounting for 6.3%, 4.8%, 3.8% and 3.4% of our gross loans and advances to customers as of the same respective dates, respectively. The NPL of our residential mortgage loans was RMB4.9 million, RMB42.7 million, RMB54.1 million and RMB61.6 million, respectively, representing an NPL ratio of 0.22%, 2.06%, 2.78% and 3.34% as of the same respective dates. The increase of such NPL during the Track Record Period was mainly due to the impact of multiple factors, such as the economic environment and the real estate market risks, on individuals' solvency. We have taken measures to mitigate risks related to the real estate industry and ensure the stability of our asset quality. See "Risk Management – Credit Risk Management – Credit Risk Management of Personal Loans – Loan Issuance Management."

Personal Consumption Loans

We provide personal consumption loans to our retail banking customers for their personal and household consumption needs such as purchase of durable consumer goods, traveling or education. As of December 31, 2021, 2022 and 2023 and June 30, 2024, personal consumption loans amounted to RMB588.0 million, RMB796.5 million, RMB851.6 million and RMB1,039.8 million, respectively, accounting for 10.3%, 15.9%, 17.3% and 21.2% of our total personal loans as of the same respective dates.

Personal Deposits

We offer retail banking customers a variety of time deposits and demand deposits. Our time deposits have maturities of no more than six years. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our personal deposits amounted to RMB20,055.5 million, RMB25,161.8 million, RMB32,041.7 million and RMB38,971.6 million, respectively, accounting for 42.3%, 43.2%, 45.9% and 49.6% of our total customer deposits (excluding accrued interest) as of the same respective dates. To better attract and retain our high-end non-institution customers and capture the market demands arising from liberalization of interest rates in the PRC, we provide large-denominated deposit certificates to, among others, individual customers with savings over RMB200,000.

We have launched a series of popular personal deposit products. For example, we introduced Huo Li Cun, a high-yield intelligent call deposit product designed for personal banking customers. Huo Li Cun offers flexible deposit term and withdrawal options. With an open-ended deposit term, Huo Li Cun enables customers to withdraw their funds at any time upon prior notice. Additionally, customers can maintain a minimum balance in demand deposit account to receive a higher interest rate by signing up for the optional "Yi Zhi Cun" agreement, which makes Huo Li Cun an ideal option for large-denominated deposit customers who frequently make withdrawals.

In addition to tailored deposit products, we leverage our cross-selling capabilities to maintain a stable intake of deposits through businesses such as payroll services and collection agency services. We primarily provide payroll services for public institutions and enterprises to facilitate their payment of salaries and wages. In case of collection agency services, we assist in the collection of gas bills, water bills and social insurance premium on behalf of gas companies, water supply companies and local government institutions. These agency services enable us to achieve seamless circular flow between corporate and personal deposits, and the linkage between public and private sectors allows us to effectively serve both sectors.

The following table sets forth our personal deposits by terms as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Demand deposits	3,990.8	19.9	4,833.8	19.2	4,929.9	15.4	5,135.8	13.2
Time deposits	16,064.8	80.1	20,328.0	80.8	27,111.8	84.6	33,835.8	86.8
Total personal deposits	20,055.5	100.0	25,161.8	100.0	32,041.7	100.0	38,971.6	100.0

Bank Card Services

We issue Renminbi-denominated debit cards to retail banking customers who open deposit accounts with us, which offer services including deposits and withdrawals, consumption, transfers and remittances and wealth management. As of June 30, 2024, we had issued an aggregate of approximately 1,055.1 thousand debit cards. As a member of China UnionPay, our debit cards are accepted through the China UnionPay network in China and globally. Our debit cards also function as bus IC card, providing a convenient solution for travel of residents within Yibin.

To broaden our service coverage and raise our brand awareness, we collaborated with Yibin Human Resources and Social Security Bureau to issue the two-in-one card Ruyi Social Security IC Card in Yibin. In addition to the ordinary functions of debit cards, Ruyi Social Security IC Card offer card holders social security services, including social security information enquiries, medical insurance settlement and social insurance premium payment.

Other Fee- and Commission-based Retail Banking Products and Services

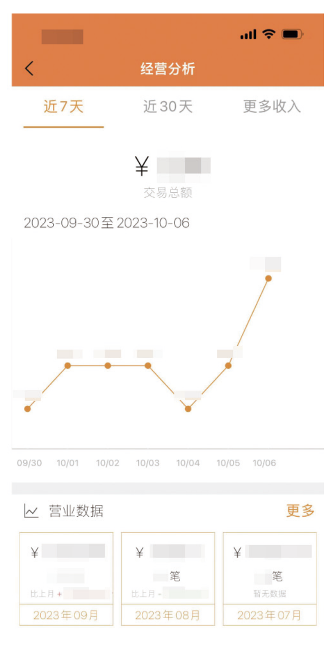
Our other fee- and commission-based retail banking products and services primarily consist of mobile payment, wealth management and agency services.

Mobile Payment Services

We have developed our mobile payment platform, Qianhuahua, in 2018. Leveraging the payment aggregator technologies, Qianhuahua integrates the payment interfaces of multiple mainstream third-party payment methods such as Alipay, WeChat and UnionPay QuickPass. Such integration allows consumers to make payments through any of these partnered third-party payment methods by scanning the single QR codes of Qianhuahua presented by the merchants, and facilitates seamless fund settlement into merchants' account with our Bank. The following picture presents the user interface of consumers when making payments:

Qianhuahua equips registered merchants with useful management functions, such as the automatic generation of their transaction flow, business analysis, transaction statistics, transaction summary and reconciliation statements, which effectively promotes the merchants' operational and management efficiency. The following picture presents the user interface of merchants:

The following pictures present several key functions, including summary of amounts received, cash inflows and business analysis:



Qianhuahua empowers various mobile payment scenarios such as campus payments, company canteens, hospitals, property management, vegetable markets and public transportation. As of June 30, 2024, Qianhuahua had approximately 25.7 thousand registered merchants individual business owners. In 2023, the total settlement amount through Qianhuahua exceeded RMB13.4 billion.

We implemented a fee-free policy for our Qianhuahua users to attract registered merchants and increase our market share, providing financial support for small and micro enterprises and individual business owners as of the Latest Practicable Date. Our mobile payment services generate market synergy with other business segments through cross-selling. As funds received through Qianhuahua are settled into merchants' account with our Bank, Qianhuahua allows us to attract demand deposits effectively while expanding our customer base and strengthening customer loyalty. As of June 30, 2024, the aggregate deposit balance for bank associated with for Qianhuahua settlement reached RMB2.0 billion. We also initiated the "Nectar Plan" to launch a small, revolving and unsecured loan product at low interest rate for registered merchants on Qianhuahua. Utilizing the data collected on Qianhuahua platform, we are able to efficiently evaluate their creditworthiness and streamline their loan application process. In 2022, we were awarded "Outstanding Contribution Award for Mobile Payment Facilitation Project" by the China UnionPay Sichuan Branch.

Wealth Management Services

We issued non-principal protected wealth management products during the Track Record Period. We primarily provide wealth management products and services to retail banking customers. We estimate that there will be an increasing demand from retail banking customers for comprehensive and personalized wealth management services apart from traditional banking products and services, in light of the economic growth in Sichuan Province and an increase in disposable income of residents. As of June 30, 2024, we had cumulatively served 33,317 personal wealth management customers.

During the Track Record Period, we did not sell wealth management products or financial products offered by third parties. The following table sets forth the details on our wealth management products that we had sold during the Track Record Period:

Series	Nature and terms	Risk level	Duration	Total product size as of June 30, 2024[3]
			(days)	*(RMB in millions)*
Golden Bamboo series	Non-principal protected with floating yields	Level 2[1]	28-721 non- fixed term	4,047.9
Sanjiang Wealth series[2]	Non-principal protected with floating yields	Level 2[1]	364	–

Notes:

(1) Refers to low-medium risks according to the Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks (《商業銀行理財業務監督管理辦法》) (CBIRC Order 2018 No. 6) issued by the former CBIRC on September 26, 2018.

(2) In 2022, to streamline our wealth management product offerings and reinforce our wealth management brand image, we ceased the sales of the Sanjiang Wealth series and exclusively sold the Golden Bamboo series thereafter. The cessation of the sales of Sanjiang Wealth series did not have any material adverse impact on the sales of our wealth management products, nor did it have any material adverse impact on our business, financial condition or results of operations.

(3) Refers to the balance of wealth management products sold by us as of June 30, 2024.

In 2021, 2022 and 2023 and the six months ended June 30, 2024, we sold wealth management products in the aggregate amount of RMB9,031.4 million, RMB7,872.3 million, RMB7,392.1 million and RMB4,515.9 million, respectively, and our commission income from wealth management agency service amounted to RMB31.6 million, RMB17.4 million, RMB35.1 million and RMB28.4 million in the same respective periods. The following table sets forth a breakdown, by product series, of the volume of wealth management products sold by us during the periods indicated:

	Years ended December 31,						For the six months ended June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Golden Bamboo series	8,928.5	98.9	7,872.3	100.0	7,392.1	100.0	4,515.9	100
Sanjiang Wealth series[1]	102.9	1.1	–	–	–	–	–	–
Total	9,031.4	100.0	7,872.3	100.0	7,392.1	100.0	4,515.9	100

Note:

(1) We ceased to sell Sanjiang Wealth series in 2022 and consolidated all wealth management products on sale under Golden Bamboo series to strengthen our brand influence.

We primarily invest the proceeds raised from our wealth management products (including the Golden Bamboo and Sanjiang Wealth series) in debt securities and money market instruments, mainly debenture bonds.

During the Track Record Period and as of the Latest Practicable Date, all wealth management products sold by us were performing with the payment of principal and return duly made.

Agency Services

Our agency services include bancassurance and bus IC card recharge agency services:

- Bancassurance. We sell insurance products to retail banking customers as an agent through our collaboration with leading insurance companies. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our fee and commission income from bancassurance amounted to RMB0.4 million, RMB0.2 million, RMB0.1 million, RMB0.04 million and RMB0.05 million, respectively.

- Bus IC Card Recharge Agency Services. We are the exclusive agency bank that provide recharge agency services for customers with bus IC cards at several of our sub-branches, being bus card recharging terminals of Yibin Harmony Card Service Co., Ltd.. Such services demonstrate our commitment to promoting social welfare and providing convenience for residents.

Financial Markets

Our financial markets business primarily encompasses interbank market business and financial investment business. Our financial markets business is guided by the principles of liquidity, safety and profitability. We strive to achieve maximum returns through effective portfolio management and proactive trading while ensuring that liquidity and safety are balanced. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the operating income generated from our financial markets business amounted to RMB67.1 million, RMB56.2 million, RMB106.1 million, RMB106.1 million and RMB83.9 million, respectively.

Interbank Market Business

Our interbank market transactions primarily consist of (i) interbank deposits; (ii) interbank placements; and (iii) repurchase and reverse repurchase transactions, which mainly involve bonds. Counterparties of our interbank market transactions are licensed financial institutions, such as large commercial banks, policy banks, nationwide joint-stock commercial banks, city commercial banks and rural commercial banks.

Interbank Deposits

Interbank deposit refers to the activities of depositing and withdrawing funds between financial institutions, where the deposit-taking institution must be a financial institution qualified to accept deposits. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our deposits with domestic banks and other financial institutions was RMB1,353.0 million, RMB1,543.0 million, RMB2,459.8 million and RMB2,979.6 million, respectively, and our deposits from other banks and financial institutions was RMB29.6 million, RMB132.3 million, RMB883.1 million and RMB1,159.1 million, respectively.

Interbank Placements

Interbank placement refers to the unsecured financing conducted through the national unified interbank lending network between financial institutions within the national interbank lending market. Such activities are subject to the approval by the PBoC. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our placements with domestic banks and other financial institutions was RMB2,026.7 million, RMB916.7 million, RMB1,526.7 million and RMB1,326.7 million, respectively, and our placements from other banks and financial institutions was RMB1,940.0 million, RMB3,100.0 million, RMB2,840.0 million and RMB2,840.0 million, respectively.

Repurchase and Reverse Repurchase Transactions

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our financial assets held under resale agreements was RMB990.2 million, RMB4,316.5 million, RMB1,869.5 million and RMB2,476.5 million, respectively, and our financial assets sold under repurchase agreements from banks and other financial institutions was RMB4,261.6 million, RMB1,908.9 million, RMB2,527.1 million and RMB2,673.6 million, respectively. The underlying financial assets in repurchase and reverse repurchase transactions primarily comprise bonds.

The cost or return for a purchase under resale agreement or sale under repurchase agreement transaction refers to the interest paid or earned from such transaction, respectively, which is the difference between the initial sale price and the buyback price and presented in the form of per annum percentage. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the interest rates for our financial assets purchased under resale agreements ranged from 2.65% to 3.00% per annum, 2.24% to 3.45% per annum, 2.47% to 4.50% per annum, and 2.05% to 2.50% per annum, respectively. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the interest rates for our financial assets sold under repurchase agreements ranged from 2.20% to 3.13% per annum, 2.20% to 2.45% per annum and 1.48% to 1.73% per annum, and 1.93% to 2.20% per annum, respectively.

Financial Investment Business

Our financial investment business primarily consists of debt securities investment and SPV investment. Our debt securities investment mainly comprises investments in debt securities issued by the PRC government, PRC policy banks and China Development Bank, PRC commercial banks, enterprises in the PRC and PRC securities firms. Our SPV investment refers to the investment in financial assets through SPVs such as asset management plans, funds and wealth management products.

When making debt securities investment and SPV investment, we take into account a broad range of factors and strive to achieve a better balance between risks and returns. Factors that we consider include, but not limited to, our risk appetite, capital consumption level, expected returns of relevant products, overall economic conditions, relevant regulatory development as well as tax preference for interest income from certain debt securities and funds. Based on the result of our analysis on these factors, we from time to time adjust our investment portfolio to enhance profitability with risks being properly managed. See "Risk Management – Credit Risk Management – Credit Risk Management of Our Financial Market Business – Credit Risk Management of Debt Securities Investment and SPV Investment."

As of June 30, 2024, our debt securities investment and SPV investment amounted to RMB32,372.1 million and RMB1,375.7 million, respectively, accounting for 95.8% and 4.1%, respectively, of our net financial investments.

The following table sets forth a breakdown of the components of our financial investments as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Debt securities investment	21,122.3	97.1	23,527.2	97.4	28,961.1	96.6	32,372.1	95.8
SPV investment	559.4	2.6	606.9	2.5	1,001.8	3.3	1,375.7	4.1
Other financial investments(1)	72.5	0.3	33.2	0.1	35.4	0.1	33.7	0.1
Net financial investments	**21,754.2**	**100.0**	**24,167.3**	**100.0**	**29,998.3**	**100.0**	**33,781.5**	**100.0**

Note:

(1) Primarily consist of debt financing instruments and unlisted stocks.

Debt Securities Investment

Our debt securities investment mainly comprises investments in debt securities issued by the PRC government, PRC policy banks and China Development Bank, PRC commercial banks, enterprises in the PRC and PRC securities firms. The following table sets forth the breakdown of our debt securities investment as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Debt securities issued by:								
PRC commercial banks	5,863.4	27.8	4,834.2	20.6	7,976.6	27.5	11,879.8	36.8
PRC government	8,645.1	40.9	8,793.7	37.4	9,672.9	33.4	10,298.6	31.8
– Central government	3,059.1	14.5	1,913.4	8.1	1,473.4	5.1	1,693.0	5.2
– Local government(1)	5,586.0	26.4	6,880.3	29.2	8,199.5	28.3	8,605.6	26.6

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
PRC policy banks and China Development Bank	3,648.6	17.3	7,723.6	32.8	8,623.9	29.8	7,697.1	23.8
Enterprises in the PRC(2)	2,965.2	14.0	2,145.2	9.1	2,655.1	9.2	2,462.9	7.6
PRC securities firms	–	–	30.5	0.1	32.6	0.1	33.7	0.1
Total debt securities investment	21,122.3	100.0	23,527.2	100.0	28,961.1	100.0	32,372.1	100.0

Note:

(1) Our investments in debt securities issued by the PRC local governments during the Track Record Period were not related to LGFVs.

(2) In accordance with our internal financial investment policy, we only invest in the debt securities of enterprises that have obtained regulatory approval and have the qualification to publicly issue bonds. These enterprises should also possess credit rating reports from qualified rating agencies and have a good credit record. See "Risk Management – Credit Risk Management – Credit Risk Management of Our Financial Market Business – Credit Risk Management of Debt Securities Investment and SPV Investment – Debt Securities Investments." According to the New Capital Management Regulations, issuers rated BB + and above are considered investment grade. We comprehensively consider the qualification, credit rating and risks of the bonds in investment. During the Track Record Period and up to the Latest Practicable Date, the bond investment ratings of our Bank were rated AA and above at the time of the investment, higher than the investment-grade standards recognized by the NAFR.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our debt securities investment amounted to RMB21,122.3 million, RMB23,527.2 million, RMB28,961.1 million and RMB32,372.1 million, respectively, accounting for 30.8%, 29.3%, 31.0% and 32.3% of our total assets as of the same respective dates. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, interest income generated from our debt securities investment amounted to RMB460.5 million, RMB543.9 million, RMB679.9 million, RMB308.8 million and RMB369.3 million, respectively. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our net gains on trading activities of debt securities amounted to RMB151.8 million, RMB96.8 million, RMB262.4 million, RMB166.1 million and RMB141.8 million in the same respective periods. We invested in debt securities issued by companies in the real estate industry. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our total investment in the real estate industry, which were all related to investments in debt securities issued by companies in the real estate industry, amounted to RMB134.7 million, RMB45.2 million, RMB179.9 million and nil, respectively, accounting for 0.6%, 0.2%, 0.6% and nil of our total financial investments, respectively. The decrease of such investment as of December 31, 2022 as compared to December 31, 2021 was primarily because we took the initiative to reduce such investments in light of the then-existing market conditions. The increase as of December 31, 2023 as compared to December 31, 2022 was primarily driven by the developments in the real estate industry. In the context of a continuously declining market interest rate, we deemed it prudent to modestly increase our investment in bonds issued by related enterprises, anticipating higher investment returns. In 2023, the returns on our new investments in real estate industry bonds exceeded 5% with no risk events occurred. The decrease as of June 30, 2024 as compared to December 31, 2023 was primarily because (i) we sold certain debt securities of the real estate industry according to the market conditions; and (ii) we wrote off the valuation of the debt securities of real estate industry due to declines in the value of the relevant real estate companies caused by market instability and provided a full amount of credit impairment loss on the asset in accordance with IFRS principles, which fully covered the principal and interest receivable. See "Summary – Recent Development." As of December 31, 2021, 2022 and 2023 and June 30, 2024, the book value of defaulted debt securities issued by companies in the real estate industry was nil, RMB24.7 million, RMB19.2 million and nil, respectively, accounting for nil, 0.1%, 0.1% and nil of our total financial investments as of the same respective dates. The fluctuations of the book value of defaulted debt securities were primarily attributable to the changes in the market valuation of such debt securities.

In addition, during the Track Record Period, our investments in the construction sector primarily consisted of our investments in debt securities issued by companies in the construction sector. As of December 31, 2021, 2022 and 2023 and June 30, 2024, such investments amounted to RMB1,043.0 million, RMB1,157.7 million, RMB1,331.1 million and RMB1,355.3 million, respectively, accounting for 4.8%, 4.8%, 4.4% and 4.0% of our total financial investments as of the same dates, respectively. As of the same dates, there was no default on such debt securities. Based on the information available to us on the issuers and the use of proceeds of such debt securities, we cannot conclude that such debt securities are subject to any exposure to the real estate or the LGFV markets in the PRC. Based on the fact that (i) such debt securities are publicly issued subject to regulatory scrutiny; (ii) such debt securities accounted for a relatively small proportion of our total financial investments during the Track Record Period; and (iii) there was no default on these debt securities during the Track Record Period, we believe that the likelihood of such investments leading to a material negative impact on our operations and financial performance is not significant.

Our debt securities investment abides by the principle of "improving the efficiency of capital utilization while ensuring the liquidity and security of asset portfolios." In terms of underlying financial assets, we primarily invest in debt securities with fixed interest rates, such as treasury bonds and policy financial bonds with high level of liquidity and safety. We strictly control the proportion of debenture bonds in our asset allocation and prioritize debt securities issuer in Chengdu-Chongqing Dual-city Economic Circle, aiming to effectively manage and control our credit risks. Our branch network located in Sichuan Province enables us to handily conduct onsite inspection on debt securities issuers in Chengdu-Chongqing Dual-city Economic Circle to assess their credit status on an ongoing basis, thereby facilitating our strategic adjustment in debt securities investment from time to time.

When investing in debt securities, we identify suitable investment targets based on our business plans and conduct analysis through various analytical tools on market risks. Our investment decision is subject to multi-level approvals according to our investment procedures, which is initiated by the dealer and reviewed in turn by reviewer, risk management personnel and authorized personnel. We also establish bond scoring standards based on factors such as the financial condition of the bond issuer, credit rating, and bond guarantees. We require that the rating of the bond issuers should not be lower than AA-. During the Track Record Period, the ratings of all of the bond issuers of the bonds that we invested in was not lower than AA-. Additionally, we implement management that sets a limit on the amount of risk in our bond investment portfolio. In terms of underlying financial assets, we primarily invest in fixed rate bonds such as treasury bonds and policy financial bonds with high level of liquidity and safety. We closely monitor the market conditions after making the investment. In the event of unfavorable changes such as adverse movement in asset prices or benchmark rates in the market, we adjust our investment strategies in a timely manner. See "Risk Management – Market Risk Management – Interest Rate Risk – Interest Rate Risk Management."

SPV Investments

Our SPV investment comprises our investment through asset management plans, funds and wealth management products. The following table sets forth the breakdown of our SPV investment as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Asset management plans	559.4	100.0	406.9	67.0	221.1	22.0	191.0	13.9
Funds	–	–	200.0	33.0	480.6	48.0	1,184.7	86.1
Wealth management products	–	–	–	–	300.1	30.0	–	–
Total	559.4	100.0	606.9	100.0	1,001.8	100.0	1,375.7	100.0

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our SPV investment amounted to RMB559.4 million, RMB606.9 million, RMB1,001.8 million and RMB1,375.7 million, respectively, accounting for 0.8%, 0.8%, 1.1% and 1.4% of our total assets as of the same respective dates.

We are committed to a cautious and prudent financial investment strategy that aligns with our overarching policy and risk management framework. Our SPV investment is made based on investment preference and appetite, market conditions and other factors, and investment decisions are made taking into account the yield, maturity, risk and liquidity profiles of these investments. We adopt stringent investment decision-making procedures and post-investment management policies to control the risks associated with SPV investment. Our SPV investments were towards fixed-income and money market underlying assets. Our financial investment policy, particularly in the realm of wealth management products, is meticulously crafted and implemented following approval by the Board of Directors as part of our annual development plan for financial market operations. The fundamental objectives and principles guiding our financial market activities are predicated on ensuring asset liquidity and security. Our asset allocation prioritizes liquidity and safety, with stringent credit risk control standards. Investments are refined based on specific asset categories, financing entities, and geographical considerations, with a focus on enhancing investment standards, reducing the average duration of credit debt investments, and selecting appropriate allocation strategies. This approach is balanced against regulatory indicators, asset-liability management objectives, and profitability targets. The risk profiles of our asset management plans and funds are determined by the issuers based on their own risk management framework and the products' exposure to various risks, including market, credit and liquidity risks. During the Track Record Period, the asset management plans in which we invested were primarily classified within the range of medium-low to medium-high risks, and our funds were classified as having medium-low risks. See "Risk Management – Credit Risk Management – Credit Risk Management of Our Financial Market Business – Credit Risk Management of Debt Securities Investment and SPV Investment – SPV Investments."

We did not invest in wealth management products in 2021 and 2022. In 2023, we invested in wealth management products with a net value of RMB300.1 million as of December 31, 2023. We redeemed this product in April 2024, with a redemption amount of approximately RMB302.6 million. This investment is consistent with our investment policy and risk management framework.

PRICING

In compliance with applicable PRC regulatory requirements, we take into account various factors when determining the price of our products and services, including cost of funds, management costs, capital costs, risk exposure, expected yield and market competition. We also evaluate the overall market conditions as well as prices for similar products and services offered by our competitors. Our pricing policies and benchmark prices are formulated and determined by our pricing review committee.

Loans

Interest rates of our RMB-denominated loan are subject to regulations of the PBoC. On July 20, 2013, the PBoC removed the interest rate floor of 70% on loans from financial institutions and allowed financial institutions to set interest rates based on commercial considerations. We determine interbank interest rates through negotiation as such rates are generally not subject to the regulations of PRC regulatory authorities. In August 2019, the PBoC announced the reform of the LPR determination system. Under the new system, the LPR will be quoted monthly on the basis of open market interest rates. According to the requirement of the PBoC, commercial banks shall determine their loan rates with reference to the LPR and interest rates of floating rate loans shall also be determined accordingly.

Deposits

Since October 24, 2015, the PBoC has removed the interest rates cap on RMB-denominated deposits for financial institutions including commercial banks and allowed banks to set interest rates on such deposits based on commercial consideration. In addition, commercial banks currently are permitted to negotiate and determine the interest rates on foreign currency-denominated deposits. We may therefore offer our core corporate banking customers differentiated interest rates for their deposits based on the nominal rates prescribed by the PBoC as we deem appropriate. The PBoC has liberalized interest rates on interbank placings, and we determine such rates based primarily on our assets and liabilities management policies and the market interest rate. Our pricing review committee is responsible for the review and monitoring of our deposit pricing policies.

Fee- and Commission-based Products and Services

With respect to fee- and commission- based products and services, we generally determine the prices of our fee- and commission-based products and services pursuant to government guidance prices, and adjust our prices with reference to prevailing market conditions, cost of services and prices of similar products and services of competitors.

DIGITALIZATION

We have established a digital system that empowers the operation and management of our core business. Our digital system serves as a stable management and service engine, enabling us to build a secure, efficient and convenient digital financial service ecosystem. It effectively achieves the intelligence of data processing, automation of business decisions, and self-service capabilities of business functions.

Digital Operational Management

Digital operational management is a priority for us. We are committed to promoting a "Self-Service, Intelligent and Smart" banking model to enhance the efficiency and inclusivity of financial services. In this regard, we have implemented innovative systems and deployed intelligent hardware devices in our operations such as the customer relationship management systems. These advancements contribute to the refinement of our intelligent service system, providing our customers with a more convenient and efficient banking experience.

Our focus on technology extends to our branch and sub-branch operations. In September 2017, we launched the smart banking program, deploying intelligent devices in our branch and sub-branches to automate previously manual processes such as self-service account opening, wealth product subscription and cancellation, large cash transactions, and electronic banking management. Over the past five years, we have continuously upgraded and updated our smart banking services, resulting in steady growth in business volume and an increasing device-based transaction rate. Through the centralization and automation of business processing, we are driving our branch and sub-branches to transform from business processing centers into marketing hubs, gradually enhancing operational efficiency across all branch and sub-branches.

Financial Services

In terms of technology-enabled financial services, we have been strengthening our data processing capabilities and leveraging big data technology in customer acquisition, marketing, management and risk control. We are advancing the digitalization of monitoring and early warning systems and the automation of decision-making processes, and have established and operated three internet financial business platforms, namely online lending, fund custody and direct banking.

In addition, we have formed substantial development, operation and maintenance capabilities supported by our specialized information technology personnel. Our information technology department independently develops and implements a majority of our information technology projects. As of June 30, 2024, our information technology department comprised 69 dedicated personnel, accounting for approximately 6.4% of our overall workforce. As of the same date, approximately 14.5% of our information technology personnel had obtained a master's degree or above, and approximately 89.9% had more than five years of experience in financial technology industry. With our experienced information technology personnel, we are able to constantly improve the reliability and efficiency of our system and provide superior customer experience. We also cooperate with certain third-party service providers for the development, operation and maintenance of certain information technology system, for which we have built a comprehensive outsourcing management system which allows us to monitor, supervise and control the quality of third-party services throughout the process. We adopt strict standards in selecting our suppliers and conduct comprehensive evaluations based on various factors, including their professional capacity, product maturity, scale of operation, experience and service quality, to ensure the continuing stable operation of our information technology systems.

Online Lending

We have developed an online lending platform that allows for online operations in our personal and corporate loan business. By reducing physical paperwork and the need for in-person visits, our online loan business effectively streamlines and facilitates loan application, review and approval, account opening and loan disbursement processes for our customers. Meanwhile, adhering to rigorous and objective business principles, we carry out online loan businesses, and have employed technologies to ensure the accuracy and security of customer information. For example, we have integrated our online lending platform into the identity information center of the public security authorities and adopted various measures such as biometric identification, digital signature and cross-verification techniques to verify and authenticate the identity of customers. We also conduct offline pre-loan due diligence and visits to supplement online review and verification process.

We also provide supply chain financing solutions through a "1+N" supply chain financial service model, with "1" referring to the key customers, that we leverage as the pivot for our business development, and "N" referring to the upstream and downstream partners of these key customers across their industry value chain. By utilizing the whitelist and endorsement provided by our key customers, we are able to identify premium enterprises in relevant industry chains and provide customized financial products and services catering to their financing needs. For example, our gross loans and advances to upstream and downstream partners of Wuliangye Group (including its suppliers and the distributors and retailers of its products) amounted to RMB734.9 million, RMB536.8 million, RMB1,475.4 million and RMB2,562.1 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, accounting for 2.1%, 1.2%, 2.9% and 4.7% of our gross loans and advances to customers as of the same respective dates. In addition, we have developed the Kaiyi Auto Purchase Loan tailored to the automotive industrial chain. Our "1+N" supply chain financial service model allows us to maintain and deepen business relationships with large and medium-sized enterprises while attracting individual business owners and small and micro enterprises along critical industrial chains.

In addition, under the "1+N" supply chain financial service model, we have independently designed and developed an online loan information system and deployed a risk control engine module based on big data rules. While conducting offline due diligence procedures before renewing loans online to control credit risks, our online lending platform enables small and micro enterprises in key industrial chains to complete loan applications and receive loan disbursements efficiently. This digitalized integrated marketing and service model helps us achieve standardized and large-scale business operations online, significantly reducing customer acquisition costs and improving efficiency. Our online supply chain microfinance business focuses on areas such as alcoholic beverages, food and beverages, household appliances, retail supermarkets, logistics services and vertical e-commerce. During the Track Record Period, our total online loan disbursements amounted to approximately RMB3.4 billion. As of June 30, 2024, our online supply chain loan products have served approximately 16,236 customers.

Fund Custody

We also operate a fund custody platform that offers efficient, secure and flexible services. Through our fund custody platform, customers can conveniently complete the fund custody, transfer or payment online without requiring any offline procedures. Our fund custody platform utilizes comprehensive security technologies to ensure the funds' safety for our customers. We employ multi-layer encryption and firewalls to protect customer information. Transactions on the fund custody platform are subject to stringent verification protocols for identity, password and authorization. We also closely monitor the funds inflow and outflow of the fund custody accounts and regularly analyze relevant data to identify any suspicious activities. Moreover, our fund custody platform is embedded with standardized and personalized interfaces for customers, providing versatile integration capabilities into various systems to cater to their diverse needs.

We consistently invest in the development and upgrade of our fund custody platform and proactively venture into novel online financial scenarios. Specifically, we contracted Yibin Municipal Consumer Rights and Interests Protection Committee and Sichuan Financial Holding Digital Technology Co., Ltd. to develop Yibaobao, a prepaid consumption service platform that provides fund custody services to consumers and merchants. See "– Our Principal Business Lines – Corporate Banking – Corporate Deposits – Fund Custody and Settlement Services."

Direct Banking

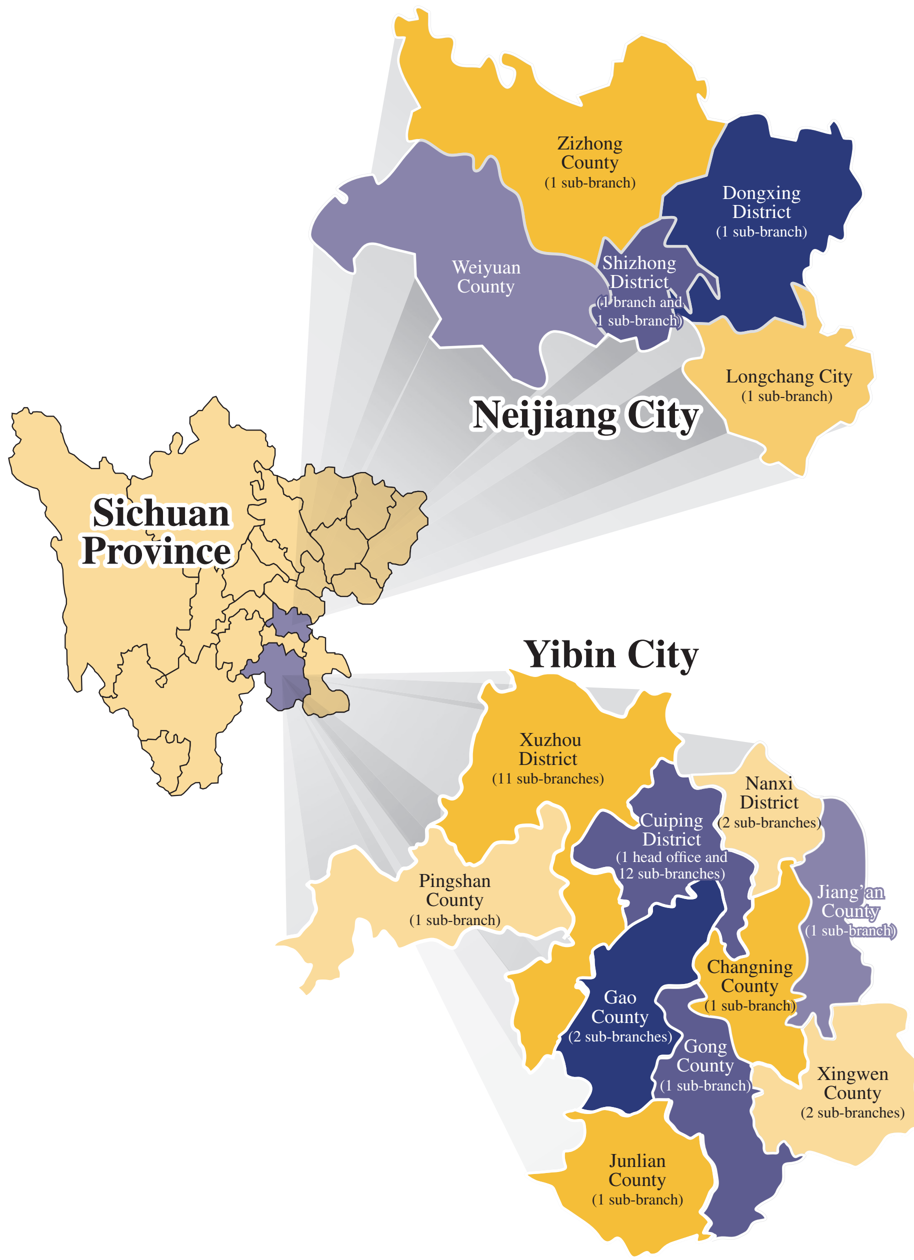
We have independently designed, developed and maintained our proprietary "Yi Shang Direct Banking" system, which provides financial services to customers through mobile APP and HTML5. As an extension to our traditional business channels, our direct banking system works in conjunction with our existing service system to provide customers with convenient and accessible financial services, further deepening our business presence. Our direct banking system provides customers with one-stop service from account management to business transaction, supporting a variety of functions ranging from fundamental services, account services, payment services, loan services and financial products. See "– Service Network – Electronic Banking Channels – Direct Banking."

SERVICE NETWORK

We provide banking products and services through our deeply penetrated service network, including our branch network and self-service banking facilities, electronic banking channels and two rural banks. Our offline and online integrated service network enables us to effectively deliver high-quality products and services to our customers and penetrate local markets.

Branch Network and Self-service Banking Facilities

As of the Latest Practicable Date, we operated a branch network comprising 40 facilities, including 39 branch and sub-branches and one head office. Our branch network includes 34 sub-branches comprehensively covering each district and county of Yibin, as well as five branch and sub-branches in Neijiang. The following map indicates the distribution of our branches as of the Latest Practicable Date:



Within our branch network, we have established multiple specialized sub-branches as part of growth strategy to align with the regionally competitive sectors in Yibin. In particular, we have established (i) Wuliangye sub-branch and Jiusheng Road sub-branch, serving enterprises including Wuliangye Group in the Baijiu sector; (ii) Green Finance sub-branch, serving enterprises in the green new energy sectors; and (iii) the only Technology sub-branch in Yibin, serving technology-oriented enterprises. Our specialized sub-branches cater to the unique characteristics of the sectors they intended to serve, and offer customized and innovative products and services that address the core financing needs of enterprises within different sectors. Through this approach, we aim to become a long-term, trustworthy financial partner for local businesses in Yibin, facilitating our local economic development.

We are also committed to digitalization of our branch and sub-branch operations to enhance operational efficiency, enhance security and bring convenience and secure banking experience for our customers. See "– Digitalization – Digital Operational Management." We also employ self-service banking facilities such as ATMs and cash recycling machines. These facilities provide 24-hour convenient and efficient self-services to customers such as account inquiry, cash deposit and withdrawal, transfers and remittances, and payment of public utility bills, and have effectively reduced our operation costs. As of June 30, 2024, we had 16 ATMs and 138 cash recycling machines. As of June 30, 2024, we had 133 non-cash smart devices and 47 cash smart devices.

Electronic Banking Channels

We place strong emphasis on building up electronic banking channels to improve our capabilities to serve our customers in a convenient, efficient and secure way. In 2011, we started to provide digital banking services. Our electronic banking channels provide comprehensive financial services through online banking, mobile banking, WeChat banking, direct banking and telephone banking. In 2021, 2022 and 2023 and the six months ended June 30, 2024, the substitution rate of our electronic banking channels, namely, the ratio of the number of transactions than can be processed by both counter service and through electronic banking but processed through electronic banking channels to the number of our total transactions processed by counter service and through electronic banking, was approximately 68%, 73%, 81% and 81.5%, respectively.

Online Banking

We provide 24-hour online banking services via our official website www.ybccb.com to our customers. Our corporate internet banking products and services primarily include transfers and remittances, account inquiries, electronic remittances, bill payments, tax withholding, wealth management services, loan services, bank reconciliation and call deposits. Our retail internet banking services include account management, transfers and remittances, fixed-term and current account deposits, wealth management services, loan services and convenient services.

As of June 30, 2024, we had a total of approximately 98.7 thousand online banking customers, including approximately 18.1 thousand corporate banking customers and approximately 80.5 thousand retail banking customers. In 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate transaction volume processed through our online banking platform was RMB204,806.7 million, RMB224,206.6 million, RMB293,726.7 million and RMB109,770.2 million, respectively.

Mobile Banking

Through our mobile banking APPs, our customers may access a wide range of services including account inquiry and management, transfers and remittances, fixed-current interconversion, wealth management services, utility bill payment services, loan services and other specialized services.

As of June 30, 2024, we had approximately 197.6 thousand mobile banking users. Since our first mobile banking transaction in November 2015, as of December 31, 2022, our mobile banking platform had processed accumulated transaction volume of RMB34,024.6 million. As of December 31, 2023, accumulated transaction volume of RMB51,691.6 million had been processed through our mobile banking platform. As of June 30, 2024, accumulated transaction volume of RMB60,264.2 million had been processed through our mobile banking platform.

WeChat Banking

Our official WeChat account has become an important hub for our communications with the customers. Our customers can bind bank account, make account information enquiries, receive notifications, search for outlets and schedule appointments by following this account. As of June 30, 2024, our official WeChat account had approximately 419.3 thousand subscribers.

Direct Banking

We commenced direct banking business in 2018 and have invested in the continuous technology upgrade and service improvement for this operation. We independently designed, developed and maintained our proprietary "Yi Shang Direct Banking" system, which provides financial services to customers through mobile APP and HTML5. As an extension to our traditional business channels, our direct banking system works in conjunction with our existing service system to provide customers with convenient and accessible financial services, further deepening our business presence.

Telephone Banking

We offer telephone banking services to both corporate and retail banking customers, including both automated voice- and teller-operated services through our 24-hour nationwide customer service hotline "0831-96578." Our services include account inquiries and management, assistance with specific transactions, business inquiries, proposals and complaints, and emergency reporting on lost and stolen cards.

Rural Banks

We have established and operated two rural banks, namely, the Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank, in Neijiang and Yibin respectively as of the Latest Practicable Date. Our Bank held a 51.00% shareholding interest in Neijiang Xinglong Rural Bank, and a 53.15% shareholding interest in Yibin Xingyi Rural Bank as of the Latest Practicable Date. See "History, Development and Corporate Structure – Our Shareholding and Group Structure." As of December 31, 2021, 2022 and 2023 and June 30, 2024, the total assets of Neijiang Xinglong Rural Bank amounted to RMB3,949.1 million, RMB4,247.7 million, RMB4,869.1 million and RMB5,009.6 million, respectively, and the total assets of Yibin Xingyi Rural Bank amounted to RMB2,166.9 million, RMB2,602.2 million, RMB2,755.6 million and RMB2,854.3 million, respectively. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our operating income generated from Neijiang Xinglong Rural Bank amounted to RMB134.0 million, RMB135.6 million, RMB133.8 million, RMB68.6 million and RMB66.4 million, respectively, accounting for 8.3%, 7.3%, 6.2%, 6.4% and 6.2% of our total operating income in the same respective periods. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our operating income generated from Yibin Xingyi Rural Bank amounted to RMB47.2 million, RMB77.6 million, RMB88.4 million, RMB43.4 million and RMB33.6 million, respectively, accounting for 2.9%, 4.2%, 4.1%, 4.0% and 3.1% of our total operating income in the same respective periods. As of June 30, 2024, Neijiang Xinglong Rural Bank had 18 facilities in Neijiang, whereas Yibin Xingyi Rural Bank had 8 facilities in Yibin.

As advised by our PRC Legal Advisors, rural banks are regulated on an individual basis separately from city commercial banks pursuant to applicable PRC laws and regulations. Accordingly, the Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank are regulated on an individual basis by relevant competent authorities separately from our Bank. Xinglong Rural Bank and Yibin Xingyi Rural Bank had complied with applicable regulatory ratios in all material respects as of the end of each year/period comprising the Track Record Period.

The following table sets forth certain regulatory indicators of Neijiang Xinglong Rural Bank as of the dates indicated, calculated in accordance with requirements on the PRC banking regulatory authorities and PRC GAAP:

	As of December 31,			As of June 30,	Regulatory requirements as of June 30,
	2021	2022	2023	2024	2024
Capital adequacy indicators					
Core tier-one capital adequacy ratio	12.85%	12.65%	11.90%	10.61%(1)	≥7.5%
Tier-one capital adequacy ratio	12.85%	12.65%	11.90%	10.61%(1)	N/A
Capital adequacy ratio	12.85%	13.02%	12.69%	12.25%(1)	≥8.5%
Asset quality indicators					
NPL ratio	2.85%	1.98%	1.88%	1.73%	≤5%
Allowance coverage ratio	177.74%	239.65%	232.08%	242.37%	≥150%
Allowance to gross loan ratio	5.07%	4.74%	4.37%	4.19%	≥2.5%
Other indicators					
Loan to deposit ratio	81.18%	80.54%	74.71%	78.42%	N/A

Note:

(1) The relevant capital adequacy indicators as of June 30, 2024 were calculated in accordance with the New Capital Management Regulations, which took effect on January 1, 2024. It classifies commercial banks into three tiers based on their adjusted on-balance-sheet and off-balance-sheet assets as well as overseas claims and debt, and imposes specific requirements on each tier in terms of capital adequacy ratios, risk weights, and disclosure standards.

The following table sets forth certain regulatory indicators of Yibin Xingyi Rural Bank as of the dates indicated, calculated in accordance with requirements on the PRC banking regulatory authorities and PRC GAAP:

	As of December 31,			As of June 30,	Regulatory requirements as of June 30,
	2021	**2022**	**2023**	**2024**	**2024**
Capital adequacy indicators					
Core tier-one capital adequacy ratio	18.99%	14.87%	13.13%	15.11%(1)	≥7.5%
Tier-one capital adequacy ratio	18.99%	14.87%	13.13%	15.11%(1)	N/A
Capital adequacy ratio	20.14%	16.00%	14.23%	18.73%(1)	≥8.5%
Asset quality indicators					
NPL ratio	3.96%	3.96%	4.95%	4.34%	≤5%
Allowance coverage ratio	153.09%	222.89%	183.97%	182.57%	≥150%
Allowance to gross loan ratio	6.06%	8.82%	9.11%	7.92%	≥2.5%
Other indicators					
Loan to deposit ratio	73.80%	66.34%	74.67%	71.56%	N/A

Note:

(1) The relevant capital adequacy indicators as of June 30, 2024 were calculated in accordance with the New Capital Management Regulations, which took effect on January 1, 2024. It classifies commercial banks into three tiers based on their adjusted on-balance-sheet and off-balance-sheet assets as well as overseas claims and debt, and imposes specific requirements on each tier in terms of capital adequacy ratios, risk weights, and disclosure standards.

Our rural banks primarily provide loans, deposit products and settlement services for corporate and retail banking customers. Our rural banks are dedicated to promoting inclusive finance and providing specialized support for agriculture, rural areas and rural residents. Deeply rooted in local economy, our rural banks have introduced a number of tailor-made finance products aiming at fostering rural revitalization. Our rural banks adhere to the customer-centered service philosophy and continuously enhance the service quality, advancing towards common development with local economy.

Our rural banks are independent legal entities regulated by the NAFR. In compliance with the requirements of the NAFR, our Bank acknowledges the independent identity of Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank, striving to maintain their autonomous operation. In particular, our rural banks maintain autonomy in terms of management structure establishment, employee recruitment, risk preference determination, as well as business strategies and policies formulation, all tailored to their respective market position and target customers.

The decrease in Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank's capital adequacy indicators from 2021 to 2023 was primarily due to the adoption of new accounting standards related to financial instrument which was effective from January 1, 2021. Specifically, Neijiang Xinglong Rural Bank adopted the phased reduction in the core tier-one capital add-back permitted for each year in the first five years after the effective date, as set forth in the accounting standards. As a result, Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank's capital adequacy indicators appear reduced. Despite this apparent decrease, both rural bank's capital adequacy ratios remained above the regulatory minimum. The decrease in Neijiang Xinglong Rural Bank's capital adequacy ratio as of June 30, 2024 was primarily due to the adoption of calculation method as stipulated by the New Capital Management Regulations that took effect on January 1, 2024, which led to an increase in the risk-weighted assets of Neijiang Xinglong Rural Bank. The decrease in Neijiang Xinglong Rural Bank's loan to deposit ratio as of December 31, 2023 was primarily attributable to the growth in its deposits in 2023 outpacing the growth in loans. In 2023, Neijiang Xinglong Rural Bank's deposits expanded compared to the previous year, while its loan issuance remained relatively stable. Neijiang Xinglong Rural Bank's loan to deposit ratio as of June 30, 2024 increased compared to December 31, 2023, which was primarily due to an increase in loan, attributable to its enhanced credit market efforts. The increase in Yibin Xingyi Rural Bank's NPL ratio as of December 31, 2023 compared to December 31, 2022 was primarily due to its clientele being composed mainly of clients from agricultural sectors, rural areas, as well as small and micro enterprises sectors, who are generally sensitive to economic adjustments. Especially, some clients were slow to recover from the pandemic's impact on their business, leading to an increase in Yibin Xingyi Rural Bank's NPL ratio. The decrease in Yibin Xingyi Rural Bank's allowance coverage ratio as of June 30, 2024, compared to December 31, 2023, was primarily due to the write-off of certain non-performing loans.

We have taken a number of measures to promote our rural banks' compliance with applicable regulatory indicators, including:

(i) formulating and implementing guidelines such as the Administrative Measures on Investment in Rural Banks of Yibin City Commercial Bank (《宜賓市商業銀行投資村鎮銀行管理辦法》) and the Notice on the Promotion of High Quality Development of Subsidiary Rural Banks (《關於推動下屬村鎮銀行高質量發展有關事項的通知》) to enhance guidance for subsidiary rural banks;

(ii) propelling the rural banks to improve and refine their internal control measures and corporate governance structure according to the latest regulatory requirements, as well as establishing pre-communication and examination mechanism for proposals on shareholders' and directors' Meetings of rural banks to promote prudent, scientific and efficient decision-making on material issues for subsidiary rural banks;

(iii) enhancing supervision over the major risks relating to the operation of subsidiary rural banks, establishing a dual approval mechanism by both the Bank and the rural bank for large-amount loans disbursed by subsidiary rural banks to control their credit risks, improving the subsidiary rural banks' risk control abilities on overdue loans and advances against credit risks and assisting the subsidiary rural banks in establishing contingency plan and conducting emergency drill with respect to liquidity risks;

(iv) supervising the subsidiary rural banks to optimize internal control and accountability mechanism, conduct internal assessment on internal control and foster compliance culture, as well as providing guidance on the rural banks' legal review and legal matters; and

(v) conducting regular inspection on the subsidiary rural banks' operation, providing advice and supervising the rural banks to formulate rectification plan on any issues identified during the inspection.

Specifically, we have been taking measures to improve Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank's capital adequacy, which primarily include (i) strengthening the management and control of credit risks and centralizing the management and disposal of NPLs by assigning dedicated personnel and setting up a collection team to enhance the monitoring of loan risks, as well as by actively recovering and disposing of risky assets, through various methods such as cash recovery, negotiations and litigations, and formulating write-off plans; (ii) establishing monitoring and early-warning system of overdue and interest-delinquent loans; (iii) making NPLs an indicator in the performance appraisal; (iv) diversifying the means for resolving risks and disposing of risky assets to include negotiation, cash collection, restructuring and transformation, litigation and write-off, among others; (v) conducting new credit business with caution and prevent the deterioration of asset quality, as well as enhance the ability to withstand risks. For example, according to the different quotas and guarantee methods of new loans, Yibin Xingyi Rural Bank established a cross-department joint review and approval mechanism to strengthen access control of risky loans and prevent the deterioration of asset quality; (vi) the active implementation of the expected credit loss model to enhance our risk resilience while our asset quality continues to improve; (vii) setting quarterly targets and plans for credit allocation and using performance assessments to guide Neijiang Xinglong Rural Bank and Yibin Xingyi Rural Bank in prioritizing loans to small and micro-enterprises and the agricultural sector, thereby carrying out credit allocation in a planned manner; and (viii) expanding business operations rationally, including through strategically conducting credit issuance and interbank operations, and supplementing capital in a timely manner to ensure that the capital adequacy ratio is maintained at a high level. For Neijiang Xinglong Rural Bank's loan to deposit ratio, we aim to maintain a balanced scale of its loan to deposit and enhance the management of loan to deposit ratio in line with our management policies of assets and liabilities. We have also formulated methods to strengthen the credit risk management of Yibin Xingyi Rural Bank, including enhancing risk reviews and conducting new credit business prudently, as part of our intensified efforts to recover NPL. We will continue to adopt various measures, including litigation and enforcement procedures, to improve the efficiency of NPL disposal and enhance asset quality, ensuring that the operations of Yibin Xingyi Rural Bank maintains stable and sustainable.

We believe that the autonomous operation of our rural banks enables them to leverage their local service network and customer base to become responsive to changes in local market. Meanwhile, our Bank provides guidance on our rural banks' business operation and risk management, and participates in their significant decision-making processes as a shareholder. As of the Latest Practicable Date, three out of nine directors of Neijiang Xinglong Rural Bank, and five out of seven directors of Yibin Xingyi Rural Bank were nominated by our Bank. Certain of these directors also serve as chairman, presidents or vice presidents in our rural banks. The risk management and internal control policies of the two rural banks have gone through multiple rounds of scrutiny and updates. Specifically, we attach great importance to the asset quality of our rural banks. We stay informed on the business operation of our rural banks by employing multiple measures, such as holding regular meetings, reviewing work reports, collecting business data and conducting inspections, and providing practical recommendations. We also established a pre-examination mechanism for any significant transactions proposed by rural banks.

MARKETING

We have adopted a customer-centered approach in operating our business and providing our customers with multi-level and comprehensive banking products and solutions. Our head office takes the initiative in formulating bank-wide business plans and marketing strategies, whereas each branch and sub-branch carries out plans in their respective regions.

We carry out seasonal marketing activities, seizing the opportunities of festivals and holidays to scale up our business. We launched the "Making a Good Start" series marketing campaigns during the Chinese New Year in 2023 through various online and offline channels. We actively promote our tailored financial products through such campaigns, enhancing customer engagement and improving our business performance. In addition, we formulated marketing strategies catering to the diverse customer needs of different target customer segments to effectively expand our customer base and retain existing customers. For example, to drive traffic to our Qianhuahua mobile payment platform and attract registered merchants, we provide fee exemptions for merchants and also offer corresponding preferential measures for customers. We also provide customized services and exclusive benefits to key accounts.

We utilize both online and offline resources to enhance our brand recognition and reach potential customers. We have exclusive customer managers to promote curated retail banking products to individual customers across our branch and sub-branches, and provide regular trainings to upskill the customer managers. We also collaborate with marketing companies on advertisement planning and brand image promotion, placing advertisements in diverse outdoor locations to promote our banking products and solutions. We have organized various customer salon events to foster camaraderie, pooled our advertising resources, seized the opportunity to leverage public accounts, and utilized external public relations channels to continually improve our brand and product marketing results. In addition to offline channels, we leverage self-media such as WeChat official account and Tik Tok to develop and distribute marketing content catering to our existing and prospect customer bases, continuously deepening our customer relationships and expanding our customer base.

IMPACT OF THE COVID-19 PANDEMIC

The emergence of a new strain of coronavirus, COVID-19, in December 2019 disrupted the global economy. During the outbreak, our business operations did not experience any material interruptions. However, the outbreaks and the measures taken by local governments to control the spread of the virus have affected our operations to some extent, which includes a decrease in customer traffic at our sub-branches and the temporary suspension of operation at sub-branches. For example, 38 of our sub-branches temporarily suspended operations successively for approximately 10 to 20 days in September 2022 in compliance with local pandemic prevention and control requirements. All of our sub-branches had resumed operations in succession since mid-September 2022 and all had returned to normal operations by the end of September 2022 and up to the Latest Practicable Date.

We have taken a series of measures in response to the outbreak to protect our employees and customers, mitigate the impact of the pandemic and ensure business continuity. During the temporary suspension of operations at our sub-branches, we arranged our employees to work from home. To ensure uninterrupted financial services, we actively promoted the use of electronic banking channels, online services and home visits to meet customers' financial needs. We also initiated the construction of an intelligent business repository in the beginning of 2022, which became operational across our branch network in July 2022, eliminating the need for daily cash transportation from vaults to sub-branches to cushion the impacts brought about by quarantine mandates and travel restrictions.

We have also initiated several supportive measures for eligible businesses and individuals, particularly those crucial to epidemic prevention and control, to provide them with prompt access to necessary financial services and support. Specifically, we have introduced "anti-pandemic loans" (戰疫貸) and "stabilizing loans" (穩保貸) with favorable interest rates for businesses and individuals impacted by the pandemic. Additionally, we have established a "green channel" and provided doorstep services for essential businesses involved in epidemic prevention and control, especially those supplying health, pharmaceutical products and food. This is to facilitate expedited credit approval and ensure rapid fund transfer. As the pandemic gradually subsides, we ceased granting anti-pandemic and stabilizing loans since January 1, 2021, and ceased granting loans through the green channel since January 1, 2023. As of June 30, 2024, (i) all anti-pandemic loans had been settled with no balance; (ii) we had recovered RMB254.4 million and written off RMB4.7 million of the stabilizing loans disbursed, leaving a balance of stabilizing loans was RMB1.9 million, which represented a small portion of all such loans extended since its inception, and all such balance had been downgraded to NPLs, for which we had made an ECL allowance of RMB0.87 million; and (iii) we had recovered RMB150.5 million and the balance of loans granted through the green channel was RMB15.0 million, all of which were classified as normal in the five level loan classification system. On the grounds that (i) the loans granted with a preferential interest rate and through the green channel constituted a relatively minor portion of our gross loans and advances to customers during the Track Record Period; (ii) the NPLs resulting from loans with preferential interest rates were insignificant, and adequate provisions were made for such NPLs; and (iii) no NPLs resulted from the extension of loans through the green channel, our Directors are of the view that the policy lending did not have any material adverse impact on our loan portfolio, asset quality, loan recoverability, financial results or business operations, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on the above-mentioned view of the Directors. See "– Environmental, Social and Corporate Governance – Social Responsibility – Policy Lending."

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

As a city commercial bank in Yibin, we recognize our role in the sustainable growth of society at large. We have established a comprehensive environmental, social and corporate governance ("ESG") framework that incorporates ESG principles into our core strategies. We intend to establish metrics and targets for these ESG projects and routinely assess our primary ESG performance. Our Directors will actively be involved in formulating our ESG strategies and objectives and will regularly evaluate, determine and manage our ESG-related risks.

Corporate Governance

We acknowledge our responsibilities towards environmental protection and social responsibilities, and are aware of the potential impact of climate-related issues on our business. We are dedicated to complying with environmental, social and governance reporting requirements upon listing.

As a trusted banking financial institution, we maintain high standards of corporate governance and ethics. We recognize the importance of transparency, accountability and sound decision-making to build and maintain trust with our stakeholders. We have established governance frameworks, with the general meeting of shareholders serving as the power institution, the Board of Directors as the decision-making institution, the Board of Supervisors as the supervisory institution, and the management as the executive institution. The Board of Directors has seven specialized committees including Strategy and Asset and Liability Management, Risk Management, Related Party Transaction Control, Audit, Nomination and Remuneration, Internal Control Compliance, and Consumer Rights Protection. The Board of Supervisors has two committees including Supervision and Nomination. The management has 12 committees including Comprehensive Risk Management, Credit Review, Financial Review, Tendering and Bidding Management, Liability Identification, Pricing Review, Data Quality Management, Information Technology Management, Interbank Investment Decision, Wealth Management Investment Decision, Corporate Annuity Management, and Credit Asset Securitization Review. We believe that our corporate governance structure is well structured with independent oversight, effective risk management systems and robust internal controls. By adhering to these principles, we ensure that our operations are conducted with integrity and uphold the interests of our customers, shareholders and the wide community.

To ensure our compliance with relevant laws, regulations and regulatory requirements, we have established a systematic review mechanism, which involves periodically formulating or updating management systems based on new regulatory provisions, business requirements and emerging management issues to address system deficiencies. Simultaneously, we have implemented a top-down compliance education and training mechanism, which aims to continuously reinforce the legal governance, compliance concepts, ethical and disciplinary education and enhance employees' professional ethics and skills through activities such as compliance lectures, reading classes and classroom sessions.

In addition, we organize case studies of laws, disciplines and regulations, which are also incorporated into our regular learning content to provide instructive education through examples. This approach aims to effectively enhance the awareness among management and employees to operate in compliance, cultivate a healthy compliance culture, and continually reinforce the awareness of risk, rules and bottom-lines among senior management and employees. We have also established organizational leadership group for building governance integrity and a responsibility determination committee at our head office to ensure compliance with relevant laws and regulations and prevention of corruption, bribery and fraudulent activities. Furthermore, to prevent corruption, bribery and fraudulent activities, we implement certain measures to comply with relevant laws and regulations. For instance, we open up various reporting channels to create a convenient internal reporting mechanism for reporters. Employees can report suspected cases through our complaint office, OA mailbox and reporting hotlines. We also implemented specific measures and confidentiality requirements for reporter protection in our internal reporting mechanism. In addition, we foster accountability for any discovered corruption and bribery incidents. We would report these incidents to the regulatory authority in accordance with our internal policies and relevant laws and regulations. We would also establish an internal investigation committee to facilitate the investigation conducted by the authority, and at the same time, carry out internal investigation and rectification. We also conduct regular anti-bribery and anti-corruption training to enhance the awareness of our employees.

To identify and manage the environmental and social-related risks and opportunities, we have established a three-level governance framework, with the Board of Directors as the decision-making and supervisory institution, the ESG Working Group as the executive and coordinating institution, and the ESG Working Office as the implementing institution. This approach allows the Board of Directors to supervise environmental and social issues and evaluate the effectiveness of the mechanisms adopted by our management. ESG Working Group is responsible for identifying and assessing the risks and opportunities related to environmental and social issues, and formulating objectives in our management. Under the ESG Working Group, the ESG Working Office is responsible for the implementation of our policies.

Specifically, to manage the risks related to ESG issues, we optimize our internal control system by incorporating the protection of our client's environmental information into our credit management process in accordance with the latest international and local policies. In addition, we implement a classification system and categorize environmental and social-related issues into three classes to prioritize these issues. We classified the environmental and social related risks into core issues, important issues and general issues by considering our business strategies and the propositions of our stakeholders. At the same time, we also leverage the opportunities arising from climate change and develop green financial products and businesses continuously.

Environmental Responsibility

We do not operate any manufacturing or logistical facilities. Therefore, we believe that our business operation did not have any significant impact on the environment and climate change during the Track Record Period. We are, however, dedicated to environmental awareness and energy efficiency. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with health, work safety, social or environmental regulations.

We have established a specialized Green Finance sub-branch, which receives strategic support from the parent bank in its operations, with a clear focus on directing credit towards the green industry sector. In addition, it has developed customized or specialised approaches in product development and business positioning. Considering the regional industrial distribution and resource advantages, our green loans are primarily concentrated in green infrastructure upgrades, the ecological and environmental industry, and the energy-saving and environmental protection industry. As of December 31, 2022 and 2023 and June 30, 2024, the balance of our Green Procurement Loan was RMB9.5 million, RMB8.8 million and RMB11.9 million, respectively. For the detailed information about Green Finance and green loan, please refer to "– Our Principal Business Lines – Corporate Banking – Corporate Loans – Distribution of Corporate Loans by Industry."

Furthermore, we have designated departments to handle matters related to Green Finance. Their responsibilities include: (i) formulating Green Finance management measures and establishing relevant policies; (ii) developing management and operational procedures for different Green Finance products, continuously innovating products and services, promoting the development of Green Finance, and establishing a long-term mechanism for Green Finance; (iii) conducting compliance reviews of regulations and operational procedures related to Green Finance, as well as reviewing legal documents such as Green Finance contracts; and (iv) handling marketing, collecting credit needs, conducting due diligence, processing credit applications, managing loans, post-loan supervision, and Green Finance statistics.

Impact of ESG-related Risks

Climate-related issues, including extreme weather conditions such as storms and typhoons, may pose risks to our business operations by disrupting essential equipment and facilities. Additionally, extreme weather conditions may threaten the health and safety of our employees, potentially leading to increased operational, maintenance and labor costs. Furthermore, evolving social trends and political policies related to ESG, such as transitioning to a lower-carbon economy, may result in more stringent regulations that require us to incur additional costs for compliance. For instance, we may need to invest considerable time and resources in monitoring the latest developments in ESG laws and regulations applicable to our business. This could also entail increased costs to implement stricter monitoring measures for emissions and resource consumption. Failure to comply with environmental regulations could expose us to penalties, fines, suspensions, or other forms of legal action.

Metrics and targets

The venue for our daily operations is our offices, where the primary resource consumption includes electricity, water and paper. We also generate waste and emit greenhouse gases during our business operations. We monitor the following metrics to assess and manage the environmental and climate-related risks arising from our business operations:

- *Electricity and water usage*. We evaluate our electricity and water consumption in accordance with relevant regulations and policies and endeavor to proactively conserve energy in response to the government's initiatives. Electricity usage is also the major source of our GHG emissions during our business operations. We monitor our electricity consumption levels regularly and implement measures such as reducing the use of electronic equipment during non-working hours to save energy and reduce GHG emissions and to further enhance our employees' awareness of efficient use of electricity and the importance of energy conservation. We mainly use annual electricity consumption to assess our electricity usage level. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our electricity consumption was around 5,688.9 MWh, 5,984.8 MWh, 5,577.2 MWh and 2,424.7 MWh, respectively. We have strengthened electricity management and taken actions to reduce electricity consumption. We endeavor to make full use of natural lighting in offices and sub-branches and encourage employees to turn off lights, air conditioners and other electrical appliances when leaving the office. Meanwhile, we have enhanced the inspection of high-power-consuming equipment in offices and explicitly prohibited the use of high-energy-consuming appliances. We also intend to organize more activities and events to foster water conservation culture in our Group. We continually evaluate our water usage level. We mainly use annual water consumption per capita to assess our water usage level. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded annual water usage per capita of approximately 49.6 tons per capita, 47.3 tons per capita, 40.5 tons per capita and 12.0 tons per capita, respectively. We routinely monitor water usage in office areas, regulate tap water flow, and promptly repair any water pipes and equipment. We strive to foster a conservation culture in our Group and will continue to monitor and control energy and water usage level in our daily operation.

- *Paperless operation*. We place great emphasis on paper conservation and actively seeks to reduce paper usage through initiatives such as paperless operations, double-sided printing, and reducing line spacing and font size in internal documents. We also target to deepen the degree of our digital operation by further developing our business and internal management systems. We mainly monitor the number of piece of paper used in our offices to assess the effect of our paperless operation. At the same time, we digitalize our banking services and internal operation to reduce the use of paper. In 2021, 2022 and 2023 and the six months ended June 30, 2024, we used approximately 4,412 thousand, 3,140 thousand, 4,795 thousand and 3,696 thousand pieces of paper in total, respectively. Such figures were calculated based on the purchase amount of paper at the beginning of each period. The increase in our paper consumption in the six months ended June 30, 2024 was primarily as a result of our purchase of paper at the beginning of 2024, which was intended to be consumed in 2024. In addition, due to our business expansion, we consumed a relatively larger amount of paper in our operations in the six months ended June 30, 2024. We aim to reduce the number of piece of paper by around 1.5% per year over the next three years; and

- *Waste generated*. Due to the nature of our business, we generate negligible amount of hazardous waste during our operations, which includes toner cartridges, ink cartridges for printers. In 2023, we recorded annual household waste disposal and office waste disposal of approximately 100.4 tons and 57.9 tons, respectively. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded annual non-hazardous waste disposal of approximately 180.3 tons, 146.6 tons, 158.4 tons and 150.0 tons, respectively. The increase in the disposal of non-hazardous waste in the six months ended June 30, 2024 was primarily due to the rise in construction wastes from the renovations of branches and sub-branches aimed at enhancing safety and customer experience. In order to reduce the impact of our disposal of non-hazardous waste on the environment, we monitor our waste discharge level on a regular basis. Proper guidelines are provided to our employees on waste classification and disposal. We target to maintain 100% compliance rate in relation to waste disposal.

- *Greenhouse gas emissions*. We adopt the concept of sustainable development in our business operation and implement certain measures to reduce carbon emissions. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, we recorded GHG emissions of approximately 3.3 tons per capita, 3.4 tons per capita, 3.1 tons per capita and 1.3 tons per capita, respectively. In 2023, we recorded annual total direct GHG emissions (Scope 1) of 270.2 tons of carbon dioxide and annual total indirect greenhouse gas emissions from the consumption of purchased energy (Scope 2) of 2,931.9 tons of carbon dioxide. Electricity usage is also the major source of our GHG emissions during our business operations. To reduce electricity consumption, we implement measures to increase energy efficiency, such as encouraging the use of natural light and enhancing the energy-saving awareness of our employees. In addition, we promote the concept of green traveling by encouraging our employees to use public transport in their daily commutes. We target to reduce our fuel consumption by more than 1% each year, and at the same time, reduce the total usage of fuel pollution in business travel by 50% during heavily polluted days, in accordance with the pollution control requirements of the local government.

- *Company car consumption*. In 2023, our cars used 107,597.9 liters of gasoline. We prioritize purchasing new energy vehicles and low-displacement vehicles as office cars to reduce fuel consumption and exhaust emissions. We also strictly implement the office car use approval policies. Besides, we encourage employees to choose public transportation, shared bicycles and other public transportation methods.

To fulfill our environmental and social responsibilities, we have set the following environmental goals and indicators as well as action plans to be implemented to achieve the expected results:

Category	Key Performance Goals	Environmental Goals	Indicators	Action Plans
GHG Emissions	Emission Targets	Encourage Green Commuting	Strengthen the management of company-owned vehicles	1. Record fuel consumption of company vehicles and perform regular maintenance
				2. Gradually convert company vehicles to lower/zero-emission vehicles
		Green Logistics Operations	Increase the proportion of machinery and vehicles using clean energy (such as electric forklifts and electric vehicles)	1. Regularly monitor and report carbon emissions from logistics and company vehicles
				2. Optimize operation routes to reduce unnecessary driving distances

Category	Key Performance Goals	Environmental Goals	Indicators	Action Plans
Waste Generation	Waste Reduction Targets	Increase Waste Recycling Rate	Increase recycling rate of office paper	1. Improve office waste recycling systems 2. Track the amount of office paper recycled
			Recycle office electronic equipment	Develop a recycling plan and regularly check the plan's progress
			Classify waste for recycling	Set up non-renewable and renewable waste recycling bins on the property
Energy Usage	Energy Efficiency Targets	Improve Energy Efficiency	Reduce office energy consumption	Purchase appliances with energy labels
			Conduct energy audits in the office	Collect office energy usage data
Water Resource Usage	Water Efficiency Targets	Improve Water Efficiency	Reduce average water consumption	1. Develop water resource management regulations 2. Increase water-saving devices, including water-saving faucets
All Above Environmental Goal Categories	Emission Targets Waste Reduction Targets Energy Efficiency Targets Water Efficiency Targets	Promote Environmental Awareness	Provide environmental training/publicity to employees	1. Include environmental training in onboarding sessions 2. Develop an environmental training/publicity plan to regularly hold energy-saving themed events

Measures to Achieve the Goals

We understand the urgent need to address environmental challenges and minimize our ecological footprint. We actively seek to reduce our carbon emissions, conserve natural resources and support initiatives that contribute to the overall well-being of our planet. We have adopted comprehensive environmental policies and practices with a strong emphasis on (i) digitalization of our banking services; (ii) responsible lending and investment decisions; and (iii) employee education and training to foster a culture of environmental responsibility.

Digitalization of banking services. At the heart of our strategy is the advancement of our "Self-Service, Intelligent, and Smart" banking model, which seeks to boost the efficiency and inclusivity of our financial services. A key factor in this strategy is our development of various innovative systems and intelligent hardware devices. These developments serve to refine our intelligent service system, offering an enhanced and more streamlined banking experience for our customers. For example, we have independently designed and developed an online loan information system and deployed a risk control engine module based on big data rules. In addition, based on our fund custody platform, we contracted Yibin Municipal Consumer Rights and Interests Protection Committee and Sichuan Financial Holding Digital Technology Co., Ltd. to develop Yibaobao, a prepaid consumption service platform that provides fund custody services to consumers and merchants. By encouraging customers to use online and mobile banking platforms, we aim to reduce paper waste and reduce our carbon footprint. See "– Our Competitive Strengths – Solid Technological Strengths Empowering Sustainable Development."

Responsible lending and investment decisions. We recognize the active role of banking financial institutions in responsible investing, and emphasize funding projects that promote renewable energy, energy efficiency and sustainable infrastructure. We offer loans with favorable terms for projects that promote energy efficiency and renewable energy and have integrated ESG risk assessment into our lending policies. For instance, we have introduced the Green Procurement Loan along with other environmentally friendly financial products, driving the green credit development.

We actively promote green development initiatives. We strive to promote the development of green finance, and have made active contributions to reducing greenhouse gas emissions. We proactively expand our energy efficiency credit business and promotion of green credit products. Our Board of Directors determines the green credit development strategy, approves the green credit objectives formulated by senior management, and reviews the green credit reports submitted. We monitor and evaluate the execution of our green credit development strategy. Our Strategy and Asset and Liability Management Committee is responsible for researching and formulating the green credit development strategy, reviewing the green credit objectives submitted by the senior management, and assessing the execution of the green credit strategy. Our management team provides regular annual reports on the execution of the green credit strategy to the Board of Directors. We assess and report to the Board annually on the implementation of the green credit strategic development plan.

Employee education and training. We have invested in employee education and training to ensure that our staff understand and appreciate the importance of sustainable operations. For example, we have invited experts to conduct special training on "Leading a Low-carbon Future with Green Development – Analysis of the Development of the Power Battery Sector" for all mid-level and senior executives. By fostering a culture of environmental responsibility internally, we ensure that our commitment is more than just a declaration but is embedded into every action we take as an institution.

Social Responsibility

Pursuing to contribute to local economy, support small and medium enterprises and serve urban residents, we have resolutely assumed our social responsibilities. We have launched various initiatives aimed at uplifting underserved communities, promoting financial literacy and championing diversity and inclusivity within our workforce. For example, we provide social welfare services to the community at large, including recharge agency services for customers with bus IC cards at several of our branch and sub-branches. We also provide a wide range of collection agency services, including those for gas bills and social insurance premiums, making us an integral part of local residents' lives. Our commitment also extends to ethical business practices, ensuring fair and equitable service to all customers regardless of their financial standing. For instance, to better serve small and micro enterprise customers, we offer a wide range of featured loan products tailored to the specific financing needs of small and micro enterprises across a wide spectrum of industries. Through our commitment to social responsibilities, we strive to drive positive change within our community and provide support for our local economy.

In addition, we proactively initiate and participate in public welfare activities to advance social well-being. For example, we have initiated the Love Book House campaign in collaboration with the Next Generation Working Committee of Yibin. Each customer with a deposit of more than RMB10,000 was eligible to receive a love certificate of deposits and have a book donated by us in their name to children in the mountainous areas of Yibin. We have donated sufficient books to establish the first Love Book House in Xingwen County of Yibin in December 2022. We have been gradually disseminating the campaign to every district and county of Yibin leveraging our deeply penetrated service network.

Policy Lending

In prompt response to government initiatives and supportive measures to cushion the economic blow from the pandemic, we have stepped up to fulfill our social responsibility by strengthening credit support for affected enterprises and individuals. We issued a series of guidelines specifically tailored to address the unique challenges posed by the pandemic, and implemented measures including offering (i) preferential loan interest rates and (ii) "green channel" with fast-track credit approval processes to ensure expedited support (collectively, as the "policy lending"). We did not adjust our risk management framework for policy lending.

Preferential loan interest rates. As part of our supportive measures, we offer preferential loan interest rates to affected enterprises and individuals through our "anti-pandemic loans (戰疫貸)" at interest rates not exceeding the then-current LPR plus 50 basis points, and "stabilizing loans (穩保貸)" at interest rates not exceeding the then-current LPR plus 15 basis points. The anti-pandemic loans and stabilizing loans are inclusive loans primarily targeted at qualified small and micro enterprises, enterprise owners and individual business owners, with credit amounts not exceeding RMB10.0 million. Applications for reduced interest rate are reviewed and approved in accordance with our established internal procedures and policies. In 2020, we disbursed anti-pandemic loans with principal amount of RMB309.6 million at an average interest rate of 4.4%, as well as stabilizing loans with principal amount of RMB261.0 million at an average interest rate of 4.0%, as compared with the average interest rate of 7.2% without preferential loan interest rate. Since January 1, 2021, we ceased granting anti-pandemic and stabilizing loans. As of June 30, 2024, all anti-pandemic loans had been settled with no balance. As of the same date, we had recovered RMB254.4 million and written off RMB4.7 million of the stabilizing loans disbursed, leaving a balance of stabilizing loans was RMB1.9 million, which represented a small portion of all such loans extended since its inception. All balance of the stabilizing loans as of June 30, 2024 had been downgraded to NPLs, for which we had made an ECL allowance of RMB0.87 million.

"Green channel" with priority credit approval process. In addition, to prioritize support for essential enterprises engaged in epidemic prevention and control, particularly those involved in providing health, pharmaceutical products and food supply, we established a green channel with priority credit approval process to expedite support. During the Track Report Period, we extended loans with principal amount of RMB165.5 million to these essential enterprises through the green channel. Since January 1, 2023, we ceased granting loans through the green channel. As of June 30, 2024, we had recovered RMB150.5 million and the balance for loans granted through the green channel was RMB15.0 million, all of which were classified as normal in the five-level loan classification system.

On the grounds that (i) the loans granted with a preferential interest rate and through the green channel constituted a relatively minor portion of our gross loans and advances to customers during the Track Record Period; (ii) the NPLs resulting from loans with preferential interest rates were insignificant, and adequate provisions were made for such NPLs; and (iii) no NPLs resulted from the extension of loans through the green channel, our Directors are of the view that the policy lending did not have any material adverse impact on our loan portfolio, asset quality, loan recoverability, financial results or business operations, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on the above-mentioned view of the Directors.

Supporting Small and Micro Enterprises

As a city commercial bank in Sichuan, we provide tailored financial services to small and micro enterprises and individual business owners, which we believe form an integral part of our loan portfolio. Since 2020, we have consistently increased our utilization of low-cost funds acquired from the PBoC and policy banks via the relending mechanism, specifically to support small and micro enterprises. We have strategically allocated these funds as preferential loans to eligible businesses in accordance with relending policies, aiming to alleviate their financing difficulties and reduce their financing costs. Consequently, our balance of relending funds for small and micro enterprises has significantly increased from approximately RMB1.0 billion as of December 31, 2021 to approximately RMB1.9 billion as of June 30, 2024. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our loans to small and micro enterprises were RMB18,656.4 million, RMB24,639.0 million, RMB29,450.4 million and RMB31,617.5 million, respectively.

However, small and micro enterprises may be more susceptible to macroeconomic changes in comparison to larger enterprises due to a potential lack of financial, management or other resources to withstand the negative effects brought by a slowdown in economic growth or regulatory changes. See "Risk Factors – Risks Relating to Our Business – We are exposed to risks arising from loans granted to small and micro enterprises and individual business owners." We have instituted robust mechanisms to ensure our asset quality while facilitating small and micro enterprises' access to credit and financial services. Below sets forth a brief discussion of these mechanisms:

Comprehensive credit risk management. We have established a comprehensive credit risk management framework that includes clear policies and procedures to identify, measure, manage and monitor credit risks associated with corporate borrowers, including small and micro enterprises. See "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans." By comprehensive evaluating the borrower's credit history, business operations, financial condition, repayment capability, actual demand and other aspects, we prudently assess the potential risk associated with each loan extended to small and micro enterprises. Once a loan is granted, we continue to monitor the performance and financial condition of the enterprise. In accordance with the regulatory requirements of the NAFR, we implemented differentiated management policies to increase tolerance for NPLs associated with small and micro enterprises, requiring that the NPL ratio for these sectors does not surpass our overall NPL ratio by more than two percentage points. We closely enforce post-loan management, including regular financial reviews, tracking repayment schedules and assessing changes in business environment that could impact the enterprise's ability to repay the loan to ensure asset quality.

Targeted support programs tailored to the diverse needs of small and micro enterprises. Unlike large and medium enterprises, small and micro enterprises often have relatively urgent and frequent financing needs. Based on such customer insights, we have designated reasonable loan terms and flexible repayment options for small and micro enterprises to offer well-tailored financing solutions. For example, in 2023, we entered into a strategic collaboration agreement with Yibin Federation of Industry and Commerce to provide aggregated payment settlement services, as well as high-quality, low interest rate loan products for small and micro enterprises from various industries and associations managed by the federation. We have also designated specialized sub-branch for regionally competitive sectors to enhance our service quality, assembling dedicated industry research groups for these industries to introduce specialized products. Additionally, we provide supply chain financing solutions through a "1+N" supply chain financial service model, with "1" referring to the key customers that we leverage as the pivot for our business development, and "N" referring to the upstream and downstream partners of these key customers, usually small and micro enterprises, across their industry value chain. By utilizing the whitelist and endorsement provided by our key customers, we are able to swiftly identify premium small and micro enterprises while effectively reducing the credit risks associated with their borrowings. See "– Digitalization – Financial Services – Online Lending."

Enhanced risk mitigation measures. We have implemented a series of risk mitigation measures to control the credit risks associated with small and micro enterprises. We collaborate with key customers to obtain information about high-quality small and micro businesses across their industry value chain through our "1+N" supply chain financial service model. We also comprehensively employ risk mitigation tools, such as guarantees from policy guarantee companies, collaterals and pledges, to reduce our risk exposure. In addition, we strive to diversify our portfolio to reduce concentration risk, spreading exposure across various industries and regions. Our small and micro enterprises customers operate business in a wide range of industries, including wholesale and retail trade, renting and business activities, construction and manufacturing.

Continuous regulation monitoring. We closely monitor the evolvements in regulatory requirements for loans extended to small and micro enterprises to ensure compliance with relevant laws and regulations. We regularly review and update our lending policies and procedures to align with changes in regulatory requirements. See "Industry Overview – Industry Trends and Business Drivers – Increasing Importance of Banking Services to Small and Micro Enterprises."

Employees

Our success depends on our ability to attract, retain and motivate qualified personnel. As of June 30, 2024, we had 1,080 full-time employees. All of our employees were based in Sichuan Province.

We respect the gender, age and ethnicity of each person, and have policies on compensation, dismissal, equal opportunities, diversity and anti-discrimination. We give each job applicant an equal opportunity and we have an internal policy in place to ensure that there is no discrimination as to gender, age or ethnicity. As of June 30, 2024, out of a total of 1,080 employees in our Group, approximately 57.1% were female while approximately 42.9% were male. For more details regarding our employee diversity, see "– Employees." We strictly adhere to relevant regulations for all recruitments. We strive to promote equal opportunity, diversification and anti-discrimination at our workplace. Job postings are publicly released on our official website, official social media accounts and other relevant websites. Throughout the recruitment process, all individuals who meet the job requirements are treated equally regardless of their gender, age, nationality or cultural background, and our discipline inspection and supervision office supervises the entire recruitment process to ensure transparency, fairness and impartiality. We follow relevant regulations and processes to terminate labor contracts, including when our employees violate relevant rules and regulations.

In addition, we prioritize employee growth and development. We provide job rotation programs, allowing employees to gain experience in various departments, thereby diversifying their expertise and understanding of the Bank's operations. We also offer a range of training opportunities to enhance employees' skill sets and broaden their knowledge base, which not only boosts employees' individual career growth but also builds a more versatile and adaptable workforce. Moreover, we optimize our employee compensation mechanism to increase the motivation of our employees. In general, employees are paid with basic salary and compensation based on their performance. Their salary is promoted based on their positions, abilities and performance, thus providing incentives for their active performances. We are attentive to the opinions and needs of our employees, and we strive to protect their rights and interests. We have established a channel that allows our employees to voice their opinions. We hold annual staff conferences to gather their opinions and allow our employees to participate in decision-making on important issues.

We have also developed a transparent and equitable employee benefit and welfare program that promotes equity, diversity and mutual respect. For example, we have established a comprehensive performance evaluation and incentive system and offer competitive compensation packages to our employees. For more details regarding employee benefit and welfare, see "– Employees."

PERSONAL DATA AND PRIVACY PROTECTION

We collect certain personal data from our customers in connection with our business and operations. PRC government has strict regulations in place governing the collection and use of personal data, requiring that the personal data subjects to consent to the data collection and agree to its usage, unless exceptions are made under the relevant laws and regulations.

Depending on the types of products and services our customers choose, and with their consents or complying with the applicable exceptions defined by the relevant laws and regulations, we may collect the following categories of personal data in the course of our business operations: (i) identification information (such as name, ID number, personal biometric information, occupation, education information, contact information and household composition); and (ii) financial information (such as income, bank account, credit records, credit information, bank deposit information, property information, transaction records). When opening an account with us and choosing our products and services, our customers are required to confirm that they have read and agreed to the terms and conditions, including our data privacy statement contained therein. Our data privacy statement specifies that the collection and usage of any personal data will be in accordance with PRC laws and regulations and that the personal data being collected can be used for designated business purposes or as required by the applicable laws and regulations.

Our customers' personal data is stored in both paper form and electronic form. Personal data in paper form is stored and managed by our business departments, branch and sub-branches, and the counter business data is stored in Yibin Archives. The storage period for the personal data related to accounts opening is ten years after the account is closed, which for the loan information is ten years after the loan is settled. Personal data in electronic form is stored in our own data center as required by applicable laws and regulations and will be deleted or anonymized after the expiration of the retention period. To minimize the risk of data loss or leakage, we encrypt user data in network transmission, conduct regular data backup and data recovery tests, and organize personal data safety training and disaster recovery simulation drills on a regular basis for our employees.

In terms of the protection of personal data and privacy, we are subject to the Cyber Security Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China and its accompanying regulations, as well as sections on the protection of privacy and personal data in the Civil Code of the People's Republic of China. In addition, we are also subject to the regulations, department rules and circulars relating to personal data and privacy protection issued from time to time by the authorities in charge of personal data protection as well as the authorities in charge of the banking industry. Please refer to "Regulatory Overview – Regulations on Internet Information Security and Privacy Protection."

We have established a strict customer personal data protection policy and have implemented a series of internal control measures from organizational, managerial and technical perspectives to preserve individual personal data and protect customer privacy which comply with the aforementioned laws and regulations. Specifically, our Yibin City Commercial Bank Administrative Measures for the Protection of Customers' Personal Financial Information sets out the key principles and policies governing the collection, storage, transmission, sharing and protection of personal data; the categorization and classification of personal data and the adoption of distinct protective measures for each category; the responsibilities and work requirements for personal data protection; and the requirements regarding education and training on personal data.

In addition, we have formulated and issued the Yibin City Commercial Bank Administrative Measures for the Data Security of Information System, which covers the security management of the processes such as data transmission, storage, cleansing, alteration, backup, recovery, and destruction. We have developed the Yibin City Commercial Bank Emergency Response Plan for Emergencies to address potential situations involving the leakage, tampering or loss of consumer' personal data, or instances that result in significant harm to our customers' interests. We have also formulated various operational policies, such as the Yibin City Commercial Bank Procedures for Customer Identity Verification and Customer Identity Information and Transaction Records Retention, the Yibin City Commercial Bank Anti-Money Laundering Rules for Over-the-Counter Personal Banking Services, and the Yibin City Commercial Bank Administrative Measures for the Credit Information Security. These policies explicitly stipulate that customer data, transaction records and credit data should be collected, stored and processed in strict compliance with the principles of security, accuracy, truthfulness, integrity and confidentiality. In addition, we have developed the Yibin City Commercial Bank Measures for Consumer Financial Information Protection.

We have also established an access control mechanism to prevent unauthorized access by irrelevant departments and personnel. Furthermore, if our employees need to search the personal data of customers for business purposes, they must strictly comply with the approval procedures, and keep thorough records of the approval and review process to ensure traceability. If personal data is lost, damaged or leaked, we require that the relevant departments to take immediate remedial measures, communicate with the customers, we also subject the relevant employees to strict disciplinary actions and, depending on the severity of the incident, make prompt reports to the regulatory authorities in accordance with the relevant laws and regulations.

We, as the processor of the personal data we collect from our customers, do not share or transfer personal data to third parties without their permission. When it is necessary to grant access to our customers' database to a third party for certain limited purposes, such as cooperating with a regulatory authority or the judiciary's inspections, participating in an external audit, or as necessitated by the services we provide to such customers, our employees must strictly comply with the relevant laws and regulations, as well as our internal approval and filing procedures, and verify that the identity and authorization of the party requesting access are authentic and complete. We further require these third parties to sign confidentiality agreements and confirm they would preserve and protect the personal data in line with the agreement, refrain from using the data for any purposes outside of the specified scope, and destroy all relevant data and files immediately after the use. These terms will survive the termination of the third-party services. We also take measures to duly supervise third-party service providers in fulfilling their respective obligations, such as urging them to utilize the appropriate technology and timely destroy personal data they obtain in the course of their services. We may also pursue legal actions against any business partner who violates data privacy and protection provisions of the executed agreements.

Our PRC Legal Advisors are of the view that, during the Track Record Period and as of the Latest Practicable Date, we had complied with applicable laws and regulations relating to personal data and privacy protection in all material aspects on the basis that (i) we have established a strict policy and a series of operating procedures for the protection of customer personal data in accordance with the applicable laws and regulations relating to personal data and privacy protection, and have set up a leading group for the protection of customer personal data; (ii) we have implemented a series of technical security measures for the protection of personal data and privacy, and have regularly conducted security assessments on the information systems and applications processing customers' personal data; and (iii) during the Track Record Period and as of the Latest Practicable Date, we had not been subject to any claims or lawsuits by customers or administrative penalties from regulatory authorities due to illegally processing customers' personal data and privacy that would have caused a material and adverse effect on our business, financial condition or results of operations.

Given that legislation and law enforcement in the PRC on personal data and privacy protection are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

AWARDS AND RECOGNITION

We have received a number of awards and honors in recognition of our outstanding business performance and sound management. The table below sets forth a summary of significant awards and honors that we have received in 2021, 2022 and 2023 and the six months ended June 30, 2024:

Year(s)	Award/Certificate	Awarding Body
2024	2023 Outstanding Unit in Information Publicity (2023年信息宣傳優秀單位)	Sichuan Urban Commercial Bank Association (四川省城市商業銀行協會)
2024	Iron-horse Award – Best Supply Chain Finance Bank (鐵馬-最佳供應鏈金融銀行)	2024 (12th) Summit for the Development of Small and Medium-sized Banks (2024年(第十二屆)中小銀行發展高峰論壇)
2023	Outstanding Contribution Award for Mobile Payment in 2023 (2023年移動支付突出貢獻獎)	China UnionPay Sichuan Branch
2023	Outstanding collective performance in the eighth round of security assessment work of Sichuan banking financial institutions (四川銀行業金融機構第八輪安全評估工作成績突出集體)	Public Security Department of Sichuan, NAFR Sichuan Office
2023	Caring enterprise with outstanding contribution to the Pillar Projects in 2023 (2023年棟樑工程突出貢獻愛心企業)	Yibin Pillar Projects Leadership Group, Yibin City Care for the Next Generation Working Committee
2023	Best Commercial Bank of 2023 (2023年度最佳商業銀行)	China Brands Boao Summit Organizing Committee
2023	2021-2022 Best Social Responsibility Practical Case Award (2021-2022年度最佳社會責任實踐案例獎)	Sichuan Banking Association

Year(s)	Award/Certificate	Awarding Body
2023, 2022, 2021	Ranked first in the comprehensive evaluation of "supporting local economic development and controlling local financial risks by banking financial institutions in Yibin" ("宜賓市銀行業金融機構支持地方經濟發展、防控地方金融風險"綜合評價名列第一)	Yibin Municipal Financial Work Bureau, Yibin Municipal Finance Bureau, Yibin Municipal Government SASAC, the PBoC Yibin Branch and China Banking and Insurance Regulatory Commission Yibin Regulatory Authority
2022	Best City Commercial Bank at 2022 (6th) Boao Enterprise Forum (2022 (第六屆)博鰲企業論壇"2022年度最佳城市商業銀行")	Boao Enterprise Forum Organizing Committee
2022	Outstanding Contribution Award for Mobile Payment Facilitation Project (移動支付便民工程突出貢獻獎)	China UnionPay Sichuan Branch
2022, 2021	Excellent Strategic Partner Award at the 25th and 26th Wuliangye 1218 Annual Convention: Achieving Shared Growth Through Collaboration (第二十五屆及第二十六屆五糧液1218共商共建共享大會"優秀戰略合作夥伴獎")	Wuliangye Group
2022	Advanced Enterprise in the activity of "Financial Knowledge Popularization Month, Financial Knowledge Enters Thousands of Households, Strive to Be a Rational Investor, and Strive to Be a Good Financial Netizen" in Sichuan (四川2022年"金融知識普及月、金融知識進萬家、爭做理性投資者、爭做金融好網民"活動先進單位)	PBoC Chengdu Branch, the NAFR Sichuan Office, Sichuan Regulatory Bureau of CSRC, the Office of Cyberspace Affairs Commission of the CPC Sichuan Provincial Committee and Sichuan Financial Affairs Bureau
2021	Wealth Management Excellence Award: Pystandard 2021 China Asset Management and Wealth Management Industry Gold Jade Award (理財金玉獎:普益標準2021年中國資產管理與財富管理行業); Outstanding Investment Return Bank Awarding institution (金譽獎 卓越投資回報銀行)	Pystandard in collaboration with the Trust and Wealth Management Research Institute of SWUFE and Finance and Investment Post
2021	Social Contribution Award for Poverty Alleviation (社會扶貧奉獻獎)	Sichuan Relief & Development Foundation

COMPETITION

China's banking industry is among the largest and most influential globally, with numerous domestic and international banks operating within its borders, including large commercial banks, nationwide joint-stock commercial banks, city commercial banks, rural financial institutions, foreign-invested banks, private banks and other banking financial institutions. In particular, after more than two decades of rapid development, city commercial banks have formed a substantial part of the PRC banking system, playing important roles in maintaining regional financial stability, promoting market competition, facilitating access to financial services, and easing funding pressures for small and medium enterprises. As a city commercial bank based in Yibin, Sichuan Province, we mainly compete with other commercial banks in the same city. We believe the principal competitive factors in the banking industry include product offerings and prices, service quality, brand recognition, distribution networks and information technology capabilities. We are dedicated to further diversifying our product offerings and expanding our customer outreach in an effort to solidify our competitive position in the market. For details of our industry, see "Industry Overview."

EMPLOYEES

As of June 30, 2024, we had 1,080 full-time employees. All of our employees were based in Sichuan Province. The following table sets forth the number of our employees by function as of June 30, 2024:

	As of June 30, 2024	
	Number of employees	% of total
Corporate banking	666	61.7%
Retail banking	339	31.4%
Financial markets	53	4.9%
Others	22	2.0%
Total	**1,080**	**100.0%**

The following table sets forth the total number of our full-time employees by age as of June 30, 2024:

	As of June 30, 2024	
	Number of employees	% of total
Aged below 30	205	19.0%
Aged 31-40	562	52.1%
Aged 41-50	204	18.9%
Aged over 50	109	10.1%
Total	**1,080**	**100.0%**

The following table sets forth the total number of our full-time employees by education level as of June 30, 2024:

	As of June 30, 2024	
	Number of employees	% of total
Master's degree and above	127	11.8%
Bachelor's degree	744	68.9%
Associate degree or below	209	19.4%
Total	**1,080**	**100.0%**

We believe our sustainable growth depends on the capability and dedication of our employees. We have invested substantial resources in recruiting and training our employees. We provide employees with systematic training on general management, marketing and risk control, policies and regulations of corporate and retail banking and financial market business, such as marketing skills, counter service skills, special training on anti-money laundering, empowering customers managers, compliance lectures and other series of training, and strive to improve training efficiency through a combination of online and offline methods.

We have established a comprehensive performance evaluation and incentive system and offer competitive compensation packages to our employees. Our employees typically receive welfare benefits, including pension insurance, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and other miscellaneous benefits. We also contribute to social insurance plans and housing provident funds for our employees in accordance with applicable PRC laws and regulations. In addition, our employers are entitled to sick leaves, personal leaves and annual leaves. We also provide overtime payment to our employees who work overtime in accordance with applicable PRC laws and regulations. We are continually improving our welfare system for the benefit of our employees.

In addition to full-time employees, we also engage dispatched workers from employment agencies in the PRC. As of June 30, 2024, we had 76 dispatched workers who primarily provided customer service, driving and other auxiliary services to support our operations. During the Track Record Period, we entered into service agreements with certain employment agencies to engage dispatched workers. According to the service agreements, the individuals dispatched by the employment agencies are employees of such agencies. The employment agencies are therefore required to bear the costs of salaries, social insurance plans and housing provident funds or other employee benefits of these dispatched workers, while we are responsible for paying service fees to such employment agencies.

We have a labor union established in accordance with PRC laws and regulations, which represents the interests of our employees and works closely with our management on labor-related issues. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes or other material labor disputes that affect our operations.

PROPERTIES

Our head office is located at Yibin, Sichuan Province. As of June 30, 2024, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets, and none of our property activities had a carrying amount of 1% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provision) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings. The details of our properties are set forth below.

Owned Properties

As of the Latest Practicable Date, we owned 410 properties with an aggregate GFA of approximately 106,565 square meters. Among these properties, as of the Latest Practicable Date:

- For 182 properties with an aggregate GFA of approximately 44,779 square meters (accounting for approximately 42.0% of the aggregate GFA of our owned properties), we had obtained relevant title certificates. Save for the ten properties as disclosed below, as advised by our PRC Legal Advisors, we have the right to legally occupy, use, transfer, lease, mortgage, or otherwise dispose of 172 of these properties with an aggregate GFA of approximately 42,292 square meters (accounting for approximately 39.7% of the aggregate GFA of our owned properties).

   - For 10 properties with an aggregate GFA of approximately 2,488 square meters (accounting for approximately 2.3% of the aggregate GFA of our owned properties), we had obtained relevant title certificates by means of land allocation. Among these properties, an aggregate GFA of approximately 916.7 square meters were leased to employees and independent third parties. As advised by our PRC Legal Advisors, while there is no material legal impediment for us to use properties on allocated land, we are subject to restrictions on transferring, leasing or mortgaging such properties unless we have obtained approval from competent authorities. During the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalties in this regard. We had further obtained a written confirmation from the competent authority confirming that the competent authority did not and will not impose any administrative penalties or confiscate our income generated from leasing of such properties. Based on the foregoing, we believe that the leasing of such properties would not have any material adverse effect on our business, financial condition or results of operations.

- For 228 properties with an aggregate GFA of approximately 61,786 square meters (accounting for approximately 58.0% of the aggregate GFA of our owned properties), we had not obtained relevant title certificates. Among these properties:

   - For seven properties with an aggregate GFA of approximately 3,259 square meters, we had not obtained relevant title certificates, including (i) one property for which we had not obtained the relevant title certificate due to historical reasons, and we were in the process of obtaining the relevant title certificates; (ii) three properties we used for our operations, which we purchased from an independent third-party real estate developer who failed to complete the initial registration of the properties, preventing us from obtaining the title certificates. We have initiated a lawsuit against the developer, requesting the developer to apply for the title certificates for these three properties for the Bank and claiming liquidated damages for the overdue application. The court has ruled in favor of us, and as of the Latest Practicable Date, we were in the enforcement proceeding. We have also obtained a written confirmation from a competent authority, which indicates that there is no substantive legal impediment in the application of the title certificate for such properties; and (iii) three properties which we obtained from the PBoC Yibin Branch and used for our office and operations, we were in the process of obtaining the relevant title certificates. As advised by our PRC Legal Advisors, the fact that we had not obtained the relevant title certificates does not affect our use of such properties, and there is no material legal impediment for us to obtain such title certificates.

- o For one property with a GFA of approximately 20 square meters, we were not able to obtain the relevant title certificate due to historical reasons. We had obtained a written confirmation from the competent authority confirming that the failure to obtain the title certificate does not affect our ownership or use of such property.

- o For one property with a GFA of approximately 290 square meters which we purchased from an independent third party, we had not obtained the relevant title certificate because the property was mortgaged before our purchase of such property. We had used such property for the operation of our rural bank. We believe that if our legal entitlement to this property is challenged, we would be able to find alternative properties or legal leases in the immediate vicinity at reasonable cost, and the relevant relocation would not have any material adverse effect on our business, financial condition or results of operations.

- o For 217 properties with an aggregate GFA of approximately 58,064 square meters which we acquired through asset swap with Yibin City Xuzhou District Urban Development and Investment Co., Ltd. (宜賓市敘州區城市建設投資開發有限公司) ("**Xuzhou Urban Development**"), we had not obtained the relevant title certificates. We had obtained a written confirmation from Xuzhou Urban Development confirming that (i) we are legally entitled to the building ownership rights of such properties and the land use rights to the land area occupied by such properties, and we have the right to legally occupy, use, transfer, lease, mortgage, or otherwise dispose of these properties; and (ii) Xuzhou Urban Development will assist in completing the building transfer registration procedures upon our request. We had obtained a written confirmation from the competent authority, confirming that such properties do not have issues of unclear ownership or seizure that would prevent the transfer of ownership, and there is no substantial legal impediment for us to obtain the title certificate of these properties according to the asset swap agreement. We may consider disposing such properties in the near future.

- o For two properties with a GFA of approximately 153 square meters which we purchased from an independent third party, we had fully paid the purchase price for the properties, and the premises had been delivered to us, while the title certificates had not been obtained. We intend to submit an application for the title certificate upon meeting the necessary conditions in order to obtain the title certificate.

Based on the fact that (i) during the Track Record Period and as of the Latest Practicable Date, the defective titles of the above-mentioned properties did not have any material adverse effect on our business operations or financial condition, (ii) we have obtained written confirmation from competent authority for most of such properties as disclosed above; and (iii) the rectification measures adopted to address such defects, we believe the chances that we can no longer operate at the properties with defective titles are remote. We believe that in the case that we can no longer operate at the properties with defective titles, we will be able to find comparable properties or legal leases as alternatives at reasonable cost in the immediate vicinity, and such relocation will not have any material adverse effect on our financial condition or results of operations, and as such, our Directors are of the view, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on such view of the Directors, that such defective properties will not, individually or in aggregate, have any material adverse effect on our business.

Leased Properties

As of the Latest Practicable Date, we leased 135 properties with an aggregate leased area of approximately 27,853 square meters, among which the lessors for 17 properties had not provided to us the title certificate. We primarily used these properties for operations and as staff dormitories or canteen. As advised by our PRC Legal Advisors, it is the lessors' responsibility to obtain the appropriate title certificates, and we, as the lessee, will not be subject to any administrative penalties for the lessors' failure to obtain or to provide the relevant title certificate or relevant authorization documents of the leased properties. However, we face uncertainties of our leases if third party claims or challenges the leases. For the properties that we used as staff dormitories or canteen, we believe we can find qualified alternatives at relatively reasonable cost in a relatively short period of time if we are unable to continue leasing these properties, and such relocation will not have any material adverse effect on our business operation, financial condition or results of operations. For the properties that we used for operations, we are required to have the superior management institution of our sub-branches to report to the local offices of NAFR thirty working days prior to the change of business premises, and we are required to timely replace the financial license before commencing operations at the new premise. Our PRC Legal Advisors are of the view that, the above defective titles of such properties will not constitute a substantial legal impediment to the Listing and the Global Offering.

In addition, as of the Latest Practicable Date, we had not registered 135 lease agreements for 135 leased properties. As advised by our PRC Legal Advisors, failure to register a lease agreement will not affect the validity of these leases. However, if we and the lessors fail to register these lease agreements as required by the relevant competent authority, we may be subject to a fine ranging between RMB1,000 and RMB10,000 for each unregistered lease agreement, with the maximum potential fines totaled to RMB1,350 thousand. As of the Latest Practicable Date, we had not been subject to any administrative penalties in relation to the unregistered lease agreements. We had obtained the written confirmation from the competent authorities confirming that there had been no record of administrative penalties and the competent authority will not impose any administrative penalties in relation to such unregistered lease agreements.

Failure to Complete the Fire Safety Filing for Certain Properties

According to Eight Measures for Deepening Reform and Serving Economic and Social Development of the Public Security and Fire Department (公安消防部門深化改革服務經濟社會發展八項措施), for properties with a gross floor area of more than 300.00 square meters, we need to obtain Fire Safety Acceptance Certificate (《消防驗收備案證明》) from housing and urban-rural development departments of local governments. As of the Latest Practicable Date, we had not obtained the Fire Safety Acceptance Certificate for one of our leased properties with a GFA of approximately 621.00 square meters used as our sub-branch.

According to applicable PRC laws and regulations, for each property for which we failed to obtain Fire Safety Acceptance Certificate after completion of construction acceptance, we may be ordered by the housing and urban-rural development departments of local governments to rectify and subject to a fine of up to RMB5,000. The relevant rules and regulations also provide that, properties that should complete the Fire Safety Filing are subject to unannounced inspection. Upon receiving the notice for rectification as a result of unqualified inspection result, the properties shall be suspended for use. After the rectification is completed, the competent fire safety authority shall conduct a reinspection, and the properties can only be put into use if deemed as qualified.

We have engaged the Fire Safety Consultant in October 2023 to conduct fire safety inspections on the leased property with a GFA of approximately 621.00 square meters. The Fire Safety Consultant primarily engages in the maintenance and inspection of fire safety facilities and fire safety evaluation, and has the relevant qualifications and certificates. The Fire Safety Consultant has a dedicated inspection team consisting of registered fire engineers and fire safety facility operators with experience in the maintenance and inspection of fire safety facilities and fire safety evaluation. The Fire Safety Consultant is an Independent Third Party and qualified to conduct fire safety evaluation services in accordance with the relevant PRC laws and regulations. The Fire Safety Consultant has conducted a comprehensive review and inspection of the following aspects of our operations through on-site inspection, surveys and document review, which includes (i) the compliance of our premise with laws and regulations, (ii) the architectural layout, floorplan and fire safety designs, (iii) interior decorations, textiles, electrical device overheating and the combustion performance and fire insulation of surrounding materials, (iv) fire separation, (v) adequacy of the fire safety equipment and system, (vi) emergency evacuation plan, lighting and evacuation indication system, (vii) fire safety power supply and facilities, including the electric generator, (viii) the fire protection capability of the building, including roof insulation and the exterior wall decoration of the building and (ix) the knowledge of our staff in relation to fire protection management, including our fire safety management personnel and on-site personnel. The review and inspection was completed in October 2023.

As confirmed by the Fire Safety Consultant, (i) the premise is well-equipped with the necessary fire safety facilities, equipment and safety signs, all of which are in good condition; (ii) the fire protection facilities are functioning properly, and the main functions of the system are operating normally; (iii) we have established and implemented fire safety internal control policies at the premise as per the requirements of the relevant supervising authority, including procedures and policies for fire safety and emergency evacuation; (iv) the premise complies with the standards for fire protection and safety of the building; (v) the premise has a comprehensive emergency evacuation plan in place, and all the employees, including the fire safety management personnel and other employees, are well-informed about fire management; (vi) no fire safety accident has occurred at the premise, and we have not been subject to any material administrative penalty or public notice of violations due to any fire safety issues with respect to the premise; and (vii) the premise complies with the applicable fire safety requirements and is suitable for business operations.

We believe that the risk of material penalties being imposed on us by the relevant government authorities due to the failure to obtain the Fire Safety Acceptance Certificate is remote, given that (i) we have obtained written confirmation from competent authorities, stating that we comply with laws, regulations and rules regarding fire safety management, operates legally, and have no material violations in fire safety management, and since 2018, there has been no administrative penalties issued to the Group due to violations of laws, regulations or normative documents regarding fire safety management, nor is there any ongoing investigations by the Yibin or Neijiang fire protection and rescue agencies related to violations of fire safety laws and regulations; and (ii) as advised by the Fire Safety Consultant, the safety condition of the leased property that did not obtain the Fire Safety Acceptance Certificate complies with the applicable fire safety requirements and is suitable for business operations.

PERMITS, LICENSES AND QUALIFICATIONS

We, as advised by our PRC Legal Advisors, confirm that, as of the Latest Practicable Date, we had obtained all material licenses, approvals, permits and qualifications from relevant PRC authorities for our operations in China.

The table below sets forth a summary of the principal licenses that we have obtained for our business operations as of the Latest Practicable Date:

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry(1)
Financial License (金融許可證)	Yibin City Commercial Bank 宜賓商行	NAFR Sichuan Office 國家金融監督管理總局四川監管局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Chengbei Sub-branch 宜賓商行城北支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Nanxing Sub-branch 宜賓商行南興支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Daguanlou Sub-branch 宜賓商行大觀樓支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Jinshajiang Sub-branch 宜賓商行金沙江支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Chengxin Road Sub-branch 宜賓商行誠信路支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Laiyin Sub-branch 宜賓商行萊茵支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Xingwen Guangming Sub-branch 宜賓商行興文光明支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	August 15, 2016	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Wuliangye Sub-branch 宜賓商行五糧液支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[(1)]
Financial License (金融許可證)	Yibin City Commercial Bank Nanxi Zhengxin Sub-branch 宜賓商行南溪正信支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	June 26, 2017	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Lizhuang Sub-branch 宜賓商行李莊支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 14, 2017	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Sanjiang Sub-branch 宜賓商行三江支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Xuzhou Sub-branch 宜賓商行敘州支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Xuzhou District Sanjiao Road Community Sub-branch 宜賓商行敘州區三角路社區支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	October 23, 2014	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Nanxi Sub-branch 宜賓商行南溪支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 18, 2008	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Xingwen Sub-branch 宜賓商行興文支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Cuiping Sub-branch 宜賓商行翠屏支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Direct Under Sub-branch 宜賓商行直屬支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[1]
Financial License (金融許可證)	Yibin City Commercial Bank Technology Sub-branch 宜賓商行科技支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Rongzhou Sub-branch 宜賓商行戎州支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Xufu Road Sub-branch 宜賓商行敘府路支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Jiangan Sub-branch 宜賓商行江安支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	October 13, 2009	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Gaoxian Sub-branch 宜賓商行高縣支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 28, 2009	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Changning Sub-branch 宜賓商行長寧支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 23, 2010	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Pingshan Sub-branch 宜賓商行屏山支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 1, 2014	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Gao County Wenjiang Sub-branch 宜賓商行高縣文江支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	June 11, 2015	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Longcheng Sub-branch 宜賓商行龍城支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Vineyard Sub-branch 宜賓商行葡萄園支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[1]
Financial License (金融許可證)	Yibin City Commercial Bank Xijiao Sub-branch 宜賓商行西郊支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Xianxi Street Sub-branch 宜賓商行咸熙街支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Jiusheng Road Sub-branch 宜賓商行酒聖路支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Junlian Sub-branch 宜賓商行筠連支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Gongxian Sub-branch 宜賓商行珙縣支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Shanshui Yuanzhu Sub-branch 宜賓商行山水原著支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 25, 2006	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Yidu Sub-branch 宜賓商行宜都支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	October 18, 2024	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Neijiang Branch 宜賓商行內江分行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 15, 2010	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Neijiang City Shizhong District Sub-branch 宜賓商行內江市市中區支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	May 11, 2012	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Neijiang Dongxing District Sub-branch 宜賓商行內江市東興區支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	May 20, 2013	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[1]
Financial License (金融許可證)	Yibin City Commercial Bank Neijiang Zizhong Sub-branch 宜賓商行內江市資中支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	June 23, 2017	N/A
Financial License (金融許可證)	Yibin City Commercial Bank Neijiang Longchang Sub-branch 宜賓商行內江市隆昌支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	January 29, 2018	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank 內江興隆村鎮銀行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 23, 2010	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Dongxing Sub-branch 內江興隆村鎮銀行東興支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	March 26, 2014	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Guanghui Sub-branch 內江興隆村鎮銀行廣匯支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	October 25, 2012	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Longchang East Sub-branch 內江興隆村鎮銀行隆昌東區支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 23, 2010	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Longchang West Sub-branch 內江興隆村鎮銀行隆昌西區支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 23, 2010	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Baima Sub-branch 內江興隆村鎮銀行白馬支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	April 24, 2020	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Daqian Sub-branch 內江興隆村鎮銀行大千支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	October 25, 2012	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[(1)]
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Jianghua Street Sub-branch 內江興隆村鎮銀行江華街支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	October 22 2021	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Longchang Garden Sub-branch 內江興隆村鎮銀行隆昌花園支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 23, 2010	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Longchang Sub-branch 內江興隆村鎮銀行隆昌支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 23, 2010	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Weiyuan Renmin Road Sub-branch 內江興隆村鎮銀行威遠人民路支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 14, 2011	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Weiyuan West Street Sub-branch 內江興隆村鎮銀行威遠西街支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	July 21, 2015	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Weiyuan Sub-branch 內江興隆村鎮銀行威遠支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	June 20, 2011	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Weiyuan Zhongxin Street Sub-branch 內江興隆村鎮銀行威遠中心街支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	July 10, 2012	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Zizhong East Avenue Sub-branch 內江興隆村鎮銀行資中東大道支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	July 21, 2015	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[(1)]
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Zizhong Sub-branch 內江興隆村鎮銀行資中支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	June 20, 2011	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Tuojiang Sub-branch 內江興隆村鎮銀行沱江支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 23, 2010	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Zizhong North Street Sub-branch 內江興隆村鎮銀行資中北街支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	February 4, 2013	N/A
Financial License (金融許可證)	Neijiang Xinglong Rural Bank Zizhong Chengnan Sub-branch 內江興隆村鎮銀行資中城南支行	NAFR Neijiang Office 國家金融監督管理總局內江監管分局	December 14, 2011	N/A
Financial License (金融許可證)	Yibin Xingyi Rural Bank 宜賓興宜村鎮銀行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 22, 2010	N/A
Financial License (金融許可證)	Yibin Xingyi Rural Bank Binjiang Sub-branch 宜賓興宜村鎮銀行濱江支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	October 13, 2011	N/A
Financial License (金融許可證)	Yibin Xingyi Rural Bank Pingshan Sub-branch 宜賓興宜村鎮銀行屏山支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 22, 2011	N/A
Financial License (金融許可證)	Yibin Xingyi Rural Bank Cuibai Sub-branch 宜賓興宜村鎮銀行翠柏支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 19, 2013	N/A
Financial License (金融許可證)	Yibin Xingyi Rural Bank Gaochang Sub-branch 宜賓興宜村鎮銀行高場支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 19, 2013	N/A
Financial License (金融許可證)	Yibin Xingyi Rural Bank Chengbei Sub-branch 宜賓興宜村鎮銀行城北支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 30, 2014	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[(1)]
Financial License (金融許可證)	Yibin Xingyi Rural Bank Juexi Sub-branch 宜賓興宜村鎮銀行蕨溪支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	December 30, 2014	N/A
Financial License (金融許可證)	Yibin Xingyi Rural Bank Xiaoanba Sub-branch 宜賓興宜村鎮銀行小岸壩支行	NAFR Yibin Office 國家金融監督管理總局宜賓監管分局	January 5, 2018	N/A
Approval of Yibin City Commercial Bank to officially join the national interbank lending market (關於宜賓市商業銀行股份有限公司進入全國銀行間同業拆借市場的批覆)	Yibin City Commercial Bank 宜賓商行	PBoC Chengdu Branch 中國人民銀行成都分行	May 29, 2008	N/A
Recordation completion notice of the PBoC regarding the official entry of the national interbank bond market (中國人民銀行全國銀行間債券市場准入備案通知書)	Yibin City Commercial Bank 宜賓商行	PBoC Yibin City Center Branch 中國人民銀行宜賓市中心支行	October 13, 2009	N/A
Approval from the PBoC Chengdu Branch on the conformity with the technical standards for the issuance of financial IC Cards and security matters (中國人民銀行成都分行辦公室關於宜賓市商業銀行金融IC借記卡發卡技術標準符合性和系統安全性審核的批覆)	Yibin City Commercial Bank 宜賓商行	PBoC Chengdu Branch 中國人民銀行成都分行	March 25, 2013	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[(1)]
Approval from the PBoC Payment System Department for Yibin City Commercial Bank to join the online payment interbank settlement system (中國人民銀行支付結算司關於宜賓市商業銀行加入網上支付跨行清算系統的批覆)	Yibin City Commercial Bank 宜賓商行	PBoC Payment System Department 中國人民銀行支付結算司	July 14, 2016	N/A
Approval from the PBoC Yibin City Center Branch on the joint issue of the third-generation Social Security IC Card by Yibin City Commercial Bank and the Ministry of Human Resources and Social Security (中國人民銀行宜賓市中心支行辦公室關於宜賓市商業銀行股份有限公司與宜賓市人力資源和社會保障局聯合發行第三代金融社會保障卡的批覆)	Yibin City Commercial Bank 宜賓商行	PBoC Yibin City Center Branch 中國人民銀行宜賓市中心支行	July 16, 2020	N/A
Approval from the PBoC Yibin City Center Branch on the conformity with the technical standards for the issuance of financial IC Cards and security matters (中國人民銀行宜賓市中心支行關於宜賓興宜村鎮銀行金融IC借記卡發卡技術標準符合性和系統安全性審核的批覆)	Yibin Xingyi Rural Bank 宜賓興宜村鎮銀行	PBoC Yibin City Center Branch 中國人民銀行宜賓市中心支行	May 29, 2018	N/A

Qualification/License	Holder	Granting Authority	Date of Grant	Date of Expiry[(1)]
Approval from the PBoC Neijiang City Center Branch on the conformity with the technical standards for the issuance of Tiancheng IC Cards and the security matters (中國人民銀行內江市中心支行辦公室關於內江興隆村鎮銀行甜城借記IC卡發卡技術標準符合性和系統安全性審核的批覆)	Neijiang Xinglong Rural Bank 內江興隆村鎮銀行	PBoC Neijiang City Center Branch 中國人民銀行內江市中心支行	June 29, 2015	N/A
Recordation completion notice of the PBoC regarding the official entry of the national interbank bond market (中國人民銀行全國銀行間債券市場准入備案通知書)	Neijiang Xinglong Rural Bank 內江興隆村鎮銀行	PBoC 中國人民銀行	December 14, 2018	N/A
Recordation completion notice of the Neijiang Xinglong Rural Bank to conduct interbank businesses (內江興隆村鎮銀行增加開辦同業業務備案表)	Neijiang Xinglong Rural Bank 內江興隆村鎮銀行	CBRC Neijiang Branch 中國銀行業監督管理委員會內江監管分局	December 5, 2016	N/A
Announcement on publication of member entities of the national market interest rate pricing self-regulatory mechanism (關於發布市場利率定價自律機制成員機構名單的公告)	Neijiang Xinglong Rural Bank 內江興隆村鎮銀行	The market Interest Rate Pricing Self-Regulatory Mechanism 市場利率定價自律機制	October 9, 2022	N/A

Note:

(1) The license or permit remains effective indefinitely as long as we comply with all applicable requirements.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights mainly include trademarks, copyrights and internet domain names. As of the Latest Practicable Date, we held 18 registered trademarks, 2 copyright, 2 computer software copyright and 13 internet domain names in mainland China. See "Appendix VII – Statutory and General Information – 2. Further Information about Our Business – B. Our Intellectual Property Rights." We have not been subject to any material infringement of our intellectual property rights or allegations of infringements by third parties during the Track Record Period that will have a material adverse effect on our business, financial condition and results of operations.

LEGAL AND REGULATORY MATTERS

Legal Proceedings

We may be involved in various claims and lawsuits in the ordinary course of our business from time to time. As of the Latest Practicable Date, we were the plaintiffs in 14 pending lawsuits where there was a claimed principal amount exceeding RMB10.0 million, and the aggregate claimed principal amount in such legal proceedings was approximately RMB1,243.8 million. All of these 14 pending litigations involved financial loan contract disputes, contract disputes or bond transactions we initiated against borrowers, guarantors and bond issuer. As of the Latest Practicable Date, among all 14 cases, (i) six with an aggregate claimed principal amount of RMB380.5 million were at the enforcement or about to enter enforcement stage pursuant to judgments in our favor; (ii) one with claimed principal amount of RMB75 million, which was adjudicated in our favor in the initial trial, was undergoing the appellate process; and (iii) seven with an aggregate claimed principal amount of RMB788.4 million were pending judgement by court. As of the Latest Practicable Date, we were named as the defendant in a lawsuit concerning a dispute over recovery of external claims involving RMB1.0 million. As of the same date, the first instance trial of this lawsuit has been held, but no judgment has yet been rendered. None of our Directors or senior management was involved in these litigations. Except as the one lawsuit disclosed above, as of the Latest Practicable Date, we were not involved as the defendant or co-defendant in any material pending litigations.

We believe that we have made adequate provisions for the loans in our pending legal proceedings where we were the plaintiffs or applicants, in compliance with our loan provision policies, after taking into account relevant factors including the recoverability of loans. For details of our post-disbursement management and supervision for our loan business, see "Risk Management – Credit Risk Management – Credit Management of Corporate Loans – Post-disbursement Management" and "Risk Management – Credit Risk Management – Credit Risk Management of Personal Loans – Post-disbursement Management." We have also taken proactive measures to safeguard our interests and mitigate the impacts of the lawsuits, including appointing dedicated personnel responsible for the oversight and management of the lawsuits, actively coordinating with the opposing parties, courts and other relevant parties, and promptly investigating and engaging external legal counsels.

Based on the fact that (i) we have taken adequate provisions for the loans involved in legal proceedings where we were plaintiffs and (ii) we have taken active measures to safeguard our interests and mitigate the impacts of these lawsuits, we are of the view that these pending litigations will not have any material adverse effect on our business, financial condition and results of operations.

Regulatory Inspections and Proceedings

We are subject to various regulatory requirements and guidelines promulgated by different PRC regulatory authorities, such as the NAFR (replacing the former CBIRC) and the PBoC, and their respective local branches and offices. Inspections and examinations are carried out by such regulatory authorities in respect of our compliance with legal and regulatory requirements in relation to our business operations, risk management and internal controls.

These inspections and reviews have not identified any major risk or non-compliance events in us but located some deficiencies in our business operations, risk management and internal control, the details of which are set out below. Although these issues have not had any material adverse impact on our business, financial position or results of operations, we have taken improvement and remedial measures to prevent the occurrence of similar incidents in the future.

Save as disclosed and separately discussed hereinbelow, we had been in compliance with relevant regulatory requirements and guidelines relating to our business operations, risk management, tax compliance and internal controls in all material respects and there had been no other regulatory inspections or proceedings that may cause material and adverse impact on our business operations or financial results during the Track Record Period and up to the Latest Practicable Date.

Administrative Penalties

During the Track Record Period and up to the Latest Practicable Date, we received ten administrative penalties imposed by local branches of PBoC, the former CBIRC and NAFR. These administrative penalties were issued against our head office, several sub-branches and rural banks, which resulted in aggregate fines of RMB6.4 million. Among these administrative penalties:

- PBoC and its local offices imposed three administrative penalties with aggregate fines of RMB1.6 million against us and our rural banks. The main issues identified include: (i) failure to send information on opening and closing of accounts to the PBoC within the required time, or file with the Renminbi bank settlement account management system for the opening of certain bank settlement accounts; (ii) failure to perform initial identification of customers, failure to keep customer identifiable information and transaction records as per regulations, failure to notify information owner before submitting individual adverse information and failure to adequately implement cooperative measures for preventing telecom fraud; and (iii) improper handling and reporting of financial statistic data.

- The former CBIRC and NAFR and their local offices imposed seven administrative penalties with aggregate fines of RMB4.8 million against five of our sub-branches and one of our rural banks. The main issues identified include: (i) weaknesses in certain branch and sub-branches' loans, post-disbursement management, pre-loan investigation, loan approval, pledge inspection and registration process, verification of authenticity of transactions and inspection over the use of loan proceeds, which involved a personal misconduct of Mr. Li Zhi as described hereinbelow; (ii) failure to review, approve and report certain major related-party transaction of a rural bank in compliance with required procedures; and (iii) improper loan classification, which was related to an isolated incident of Yibin Xingyi Rural Bank in 2019 prior to the Track Record Period. In response to the identified issue, Yibin Xingyi Rural Bank has promptly revised credit policies and strengthened credit management measures. Yibin Xingyi Rural Bank was not subject to any other regulatory administrative penalties for improper loan classification during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, none of the our Directors or senior management had been involved in the above-mentioned administrative penalties, nor did the incidents that led to the administrative penalties involved any fraud or dishonesty of our Group or employees in any material respect, saved for the personal misconduct of Mr. Li Zhi as disclosed in the section headed "– Legal and Regulatory Matters – Employee Non-compliance – Case of Mr. Li Zhi."

Apart from promptly completing the rectification and thoroughly verifying potential issues, we also engaged in multiple communications with the relevant departments or organizations to address the issues. We have taken corresponding remedial measures in a timely manner, including:

(i) implementing corresponding internal control systems, standardizing business processes, enhancing management over credit review and approval process, disbursement and post-disbursement and enhancing the inspection over the use of loan proceeds, including enhancement of:

  (a) pre-loan assessment on the borrowers, including background check, document authenticity review, and face-to-face interviews and signing procedures;

  (b) post-loan inspections on condition of guarantees and use of loan proceeds; and

  (c) internal control and management measures to ensure employee compliance with our loan disbursement and management mechanism;

(ii) regularly carrying out account verification and clean-up work;

(iii) improving equipment maintenance and daily inspections;

(iv) initiating special investigations to identify and assess potential risks and formulating emergency plans to respond effectively and efficiently when an emergency situation arises;

(v) strengthening information technology infrastructure to ensure proper identification, preservation and handling of customer information;

(vi) enhancing employee training and education to improve their awareness on compliance operations, improving regular inspection of the business operations, and circulating the opinion on incidents to prevent the similar issues and problems from recurring; and

(vii) enhancing basic business data management, including:

(a) improving the comprehensive reporting system, enabling automated data collection and improving data quality management systems to establish a sustainable mechanism for controlling basic business data; and

(b) strengthening the review, self-inspection of basic business data and training on statistical reporting to ensure quality control of the statistical data source and raise awareness among business personnel regarding the importance of controlling the quality of basic business data.

As of the Latest Practicable Date, we had made timely payment for the fines imposed by the abovementioned administrative penalties. We have engaged an independent internal control advisor to review our internal control over financial reporting. Based on the remedial measures and enhanced internal control measures we have adopted in view of the findings and recommendations from the internal control advisor, we have made improvements in matters relating to our business operation, internal control and risk management. Through the above-mentioned remedial measures and enhanced internal control measures we have implemented, along with the absence of additional comment from the internal control advisor on the follow-up visits and follow-up procedures, we believe that we have taken appropriate actions to rectify the identified deficiencies and prevent the recurrence of similar incidents, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on the above-mentioned view of the Directors. Our PRC Legal Advisors are of the view that the above administrative penalties will not constitute a substantial legal impediment to the Listing and the Global Offering.

Findings of Regulatory Examinations

Regulatory authorities, including the NAFR (formerly CBIRC) and PBoC, generally conduct routine (typically on an annual or semi-annual basis) and ad hoc inspections on our compliance with relevant PRC laws and regulations, guidelines and regulatory requirements. During the Track Record Period and up to the Latest Practicable Date, regulatory inspections carried out by PRC regulatory authorities, including the former CBIRC, the PBoC and the Department of Audit of Sichuan Province, had identified certain deficiencies in relation to our business operations, risk management, corporate governance and internal controls, which we believe are within our capacity to address effectively. The major issues raised by the relevant authorities and our corresponding remedial measures during the Track Record Period and up to the Latest Practicable Date are set forth below. Regulatory examinations, conducted in accordance with the China Banking and Insurance Regulatory Commission On-site Inspection Method (Trial) (《中國銀保監會現場檢查辦法(試行)》), operate under distinct legal and procedural frameworks compared to administrative penalties, which are mainly governed by the China Banking and Insurance Regulatory Commission Administrative Penalty Method (《中國銀保監會行政處罰辦法》). Unlike administrative penalties, inspection reports do not impose penalties such as fines or suspension of business licenses; instead, they generally contain a request for timely rectification of the issues identified. Upon receipt of the inspection report, we typically formulate a remedy plan with expected completion timeframe and liaise with the relevant authorities prior to its execution. Should there be no objection with respect to the remedy plan or expected completion timeframe from the relevant authority, we commence the rectification process in accordance with the remedy plan and subsequently submit a remedial report on the rectification results to the relevant authority. The duration of our rectification process varies based on the intricacies of the remedial plan, typically ranging from three months to over a year. Rectifications pertaining to corporate governance and system improvement generally require a longer period compared to other types of rectifications, such as procedural and operational issues. With respect to the inspection reports received during the Track Record Period and up to the Latest Practicable Date, we have taken appropriate measures to remedy the identified deficiencies without material delay, and submitted remedial reports to relevant regulatory authorities. The relevant regulatory authorities generally do not issue confirmation or clearance letters for remedial reports submitted. However, during the Track Record Period and up to the Latest Practicable Date, we did not receive any material objection to the remedial measures set out in our remedial reports and adopted by us. To the best of our knowledge, we had not been subject to any penalties as a result of our remedial report or rectification progress during the Track Record Period and up to the Latest Practicable Date.

Our Directors are of the view, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on such view of the Directors, that, during the Track Record Period and up to the Latest Practicable Date, there were no material deficiencies or systemic failures identified by the inspections, and no incidents identified in the regulatory examinations involved fraud or dishonesty on the part of our Group or employees in any material respect. We believe that the major findings and recommendations summarized below have no material adverse impact on our business, financial condition or results of operations, but instead have enabled us to better diagnose the deficiencies in our operations and to improve our risk management and internal control measures accordingly. Taking into account the factors that (i) the absence of a material adverse impact from the findings and recommendations on our business, financial condition or results of operations, (ii) the absence of follow-up comments from the relevant regulatory authorities on our rectifications of the deficiencies, and (iii) the risk management and internal control measures we have implemented, our Directors are of the view that our remedial measures and relevant internal control measures are adequate and effective in all material respects, and nothing has come to the Joint Sponsors' attention that would cause them to cast doubt on the above-mentioned view of the Directors.

NAFR (formerly known as CBIRC)

The relevant local offices of the former CBIRC conduct regular and ad hoc inspections on our operating conditions. Based on these inspections, the relevant local offices of the former CBIRC issue inspection reports that contain inspection results and guiding opinions. The major issues raised by the relevant local offices of the former CBIRC and our corresponding remedial measures during the Track Record Period and up to the Latest Practicable Date are set forth below:

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Corporate governance		
Inadequate management of shareholders and insufficient restrictions on the authority of major shareholders, including that, for major shareholders who have pledged 50% or above of their shares of our bank, only their general voting rights during shareholder meetings and their appointed directors' voting rights at board meetings were restricted.	Relevant management measures have been revised to clearly stipulate restricting measures on equity pledges and voting rights, including that, for a shareholder who has pledged 50% or above of their shares of our Bank, their voting rights during shareholder meetings and their appointed directors' voting rights at board meetings are restricted. Applied restrictions on voting rights of the relevant shareholders in accordance with such measures.	April 12, 2021 and July 5, 2021

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Inadequate record of the information of major shareholders in information disclosure statement; one external supervisor held positions in more banks simultaneously than permitted; failure to disclose temporary information in a timely manner; inadequate continuous identification of related parties; some systems need to be improved, including certain provisions regarding the Board of Directors management, performance appraisal, staff management, information disclosure and internal audit; incomplete internal audit work plan with no coverage of capital adequacy and other related content; incomplete comprehensive risk management reports and non-compliance of the frequency of stress testing with internal regulations.	Reported to the Board of Directors of the changes in the pledge of equity interests in a timely manner; strengthened information disclosure to fully disclose information of major shareholders; strengthened communications with such external supervisor, who have resigned from their position of supervisors in other banks to meet regulatory requirements; strengthened ad-hoc information disclosure to enhance the timeliness of information disclosure; improved the related party transaction management system and established a regular re-identification mechanism for related parties, as well as updated the list of related parties; established a regular system review mechanism and improved relevant systems. Employed a professional human resources management consulting company to streamline and improve the performance-based compensation management system. Improved and strictly implemented internal audit work plan in accordance with regulatory requirements. Strengthened comprehensive risk management, conducted stress testing in strict accordance with the requirements, and enhanced the content of the comprehensive risk management report.	May 29, 2023 and July 29, 2024[(1)]

(1) As of the submission date of this remedial report, we were in the process of actively addressing and rectifying the issues. Please refer to "– Recent Inspections".

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Credit risk management		
Inadequate pre-lending investigations, including the lack of collateral value review in accordance with the internal control policies for certain loans; lack of investigation and verification of the borrower's related parties and their financial conditions for certain investment.	Improved the collateral valuation and verification mechanism and established a collateral asset reevaluation team at the head office to conduct reevaluation and management of high-value collaterals to ensure that the collateral valuation is in line with the market value. Enhanced pre-loan investigations, improved relevant management policies and operational procedures, strengthened verification of fundamental loan documents, enhanced ongoing monitoring and inspection of borrowers' financial conditions, business activities, as well as the qualifications of guarantors, guarantee capability and the condition of collateral and prudently assessed the repayment ability of the borrowers. Conducted staff training and education on a regular basis, strengthened the supervision and inspection of loan operations, conducting regular specialized auditing and compliance review on new loans to promptly identify and eliminate potential risks.	October 11, 2022 and December 29, 2022
Insufficient implementation of strict post-loan management measures, including insufficient monitoring of loan fund usage or the flow of the loan fund; failure to regularly monitor borrowers, guarantors and collateral; failure to take timely and effective measures to address abnormal situations; and fund ended up being used in restricted areas.	Established detailed rules for loan management, strengthened the management of loan fund usage, refined the lending process, further strengthened the management of entrusted payment of loan funds, and regularly monitored the use of loan funds according to the intended purpose. Enhanced post-loan management, strictly implemented post-loan inspection systems, regularly conducted continuous monitoring of clients' business activities, collateral and guarantors, and promptly alerted and addressed risk issues.	October 11, 2022 and December 29, 2022

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Relatively high proportion of off-site Internet lending. Before the issuance of relevant regulatory provisions on the Internet lending business in commercial banks, our bank's Internet lending operations mainly focused on off-site Internet lending and Internet lending of medium terms. We were demanded to reduce and stop providing the relevant financial products with expected returns after the issuance of the relevant regulatory provisions.	Stopped the issuance of off-site Internet loans since 2022 in accordance with regulatory requirements. The existing off-site Internet lending will be naturally cleared upon maturity. All the offerings of financial products with expected returns were discontinued in 2021, and had been fully redeemed, and we have completed the rectification within the timeframe under the regulatory requirement.	April 12, 2021 and July 5, 2021
Inaccurate classification or untimely reclassification of loan risks. Failure to promptly reclassify the loan risks prior to the loan transfer in 2016.	Revised and improved the asset classification management system, strengthened loan risk classification management, improved the loan classification accuracy. Enhanced the daily monitoring of loans and investments, ensured proper categorization and management of loans, implemented effective loan reclassification management, and accurately and truthfully carried out loan classification. The level of loan deviation gradually reduced while fully complying with regulatory requirements	May 25, 2022 and September 23, 2022

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Insufficient supplementation of the trade background and transaction background investigations and insufficient verification of the source of the deposits for credit businesses; insufficient assessment of borrower's working capital needs and repayment ability; and failure to adjust the classification for certain assets in a timely manner; insufficient post-loan monitoring of the usage and flow of funds, failure to regularly monitor debt investments, failure to take timely and effective measures against abnormal situations; and the final use of the funds is not consistent with the stated purpose in the application.	Enhanced ongoing monitoring and inspection of transaction background and the source of fund of guarantee, and prudently assessed the repayment ability of the borrowers; enhanced business training for account managers and strengthened daily inspection, and urged the account managers to strictly follow the operation process of the pre-lending investigation. Strengthened the supervision and inspection of loan business, urged borrowers to use funds strictly according to their application purposes, conducted special audit and compliance review on new loans on a regular basis, and identified and eliminated potential risks in a timely manner; strengthened credit audits; further improved the asset classification management system and enhanced the daily monitoring on investments; further refined the detailed rules for loan management, required account managers to strictly implement the loan fund monitoring policies and collect the value-added tax invoices, purchase orders, shipping bills and other supporting materials related to the loan application in a timely manner.	May 29, 2023 and July 29, 2024
Liquidity risk		
Core liability ratio not consistently meeting the standards[(1)].	Strengthened liability management, improved the stability and diversity of liabilities. Continuously optimized the core liability ratio indicator by increasing the fixed-term deposit ratio and demand deposit ratio, and controlling the overall liability scale.	April 12, 2021 and July 5, 2021

(1) The core liability ratio refers to the ratio of core liabilities to total liabilities, where the core liabilities include fixed-term deposits and issued bonds with a maturity period of three months or more, as well as the portion of demand deposits with a tenure of 12 months or more, and the standards primarily include the core liability ratio should not be lower than 60%. Our core liability ratio as of December 31, 2020 failed to meet such indicators because the growth of our current deposits led to an increase in the total liabilities while a portion of such demand deposits did not count towards the core liabilities, resulting in a decrease in the core liability ratio. As advised by our PRC Legal Advisors, according to the Measures on the Liquidity Risk Management of Commercial Banks (《商業銀行流動性風險管理辦法》) promulgated by the CBIRC on May 23, 2018, the core liability ratio no longer acted as a regulatory indicator, but for reference only. Based on the foregoing, we are of the view that the above-mentioned incident would not have a material adverse impact on our business operation and financial condition.

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Information technology risk		
Insufficient information technology risk management, including incomplete policies of information technology security management and outsourcing management. Failure to formulate norms for application security technologies, monitoring standards, secure coding and testing. Failure to explicitly specify the frequency of external risk management assessments and comprehensive auditing in the outsourcing management system. Insufficient coverage of disaster recovery for critical information systems, as direct banking, fund custody systems and electronic signature systems were not covered. Certain hardware facilities in disaster recovery data centers exceeded their intended lifespans and had not been replaced in a timely manner. Insufficient training scenario settings for information technology risk management emergency drills.	(i) Revised and improved relevant policies on application security management, clearly specifying the requirements regarding application security technologies, monitoring standards, secure coding and testing, and enhanced the implementation of such management policies; (ii) revised and enhanced the management of outsourcing service, standardized the frequency, process and reporting of the external risk management assessments and audits, and stressed the strict implementation; (iii) strengthened the construction of disaster recovery system, including building and launching application-level disaster recovery systems for direct banking, fund custody and electronic signatures and achieved 100% coverage of important information system disaster recovery; (iv) conducted comprehensive inspections on all infrastructure and replaced hardware facilities that exceeded lifespans to eliminate potential faults; and (v) enhanced the richness of emergency drill scenarios, including independent switching drills for important information systems, fire drills, off-site disaster recovery data recovery drills, and other various scenarios to improve emergency response capabilities.	April 12, 2021 and April 28, 2021

Recent Inspection

As of the Latest Practicable Date, we were actively addressing and rectifying certain issues identified in an inspection report issued by the NAFR (formerly CBIRC) Yibin Office following their routine inspection, for which we submitted our latest remedial report on July 29, 2024. After receiving the inspection report, we communicated with the NAFR Yibin Office on the remedial measures and the timeframe to complete the rectification for each issue identified, began the rectification process accordingly, and submitted a remedy plan on September 4, 2023 specifying the remedial actions to be taken and the relevant timeframes for completing the rectifications. We subsequently submitted a remedial report on November 3, 2023, December 6, 2023 and July 29, 2024, respectively, detailing the rectification results achieved to date and the remedial plan for the remaining issues. The NAFR Yibin Office reviewed and expressed no objections to our remedy plan and remedial report. The majority of the identified issues had been rectified as of the date of the latest remedial report. The remaining matter is the establishment of a medium- to long-term employee incentive plan, as recommended by the relevant authority. Given the lack of industry precedents or case studies for reference, we are currently exploring the regime and had not commenced the implementation of such incentive plan as of the Latest Practicable Date, while aiming for a phased implementation by the end of 2027. We are proactively implementing the rectification measures in the remedy plan and enhanced our internal control measures to ensure timely resolution of remaining matters as per the timeframe set out in the remedial report. We will also continue to actively communicate with the NAFR Yibin Office regarding the rectification progress.

The Department of Audit of Sichuan Province

The Department of Audit of Sichuan Province conducts periodic inspections on our operation and issues opinions containing inspection results and related recommendations. The major issues identified and key recommendations raised, during the Track Record Period and up to the Latest Practicable Date, and our primary remedial measures are set forth below:

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Inadequate shareholding structure management, including (i) non-compliant shareholding of non-listed banks by public officials; (ii) inadequate management of share pledge arrangements and insufficient supervision over major shareholders with respect to the pledge of their shareholdings. Some major shareholders used bonus shares generated from pledged equity holdings as additional collaterals without promptly informing our Bank or filing such matter with our bank's board of directors. This led to our bank not having enough information about the major shareholders' additional pledged bank equity holdings.	(i) Rectified non-compliant shareholding arrangements by transferring all shares held by public officials to qualified third-party recipients, and there are no longer any public officials among our shareholders; (ii) timely revised and implemented the equity pledge management measures and prescribed relevant voting right restrictions, including specifying that for a shareholder who has pledged 50% or above of their shares of our bank, their voting rights during shareholder meetings and their appointed directors' voting rights at board meetings are restricted; and (iii) enhanced shareholding governance and strengthened supervision of share pledge arrangements by major shareholders. Conducted annual assessment of the performance and fulfillment of duties of major shareholders. Performed regular inquiries on share pledge through publicly available information channels to promptly understand the status of shareholder equity.	June 19, 2020 and July 19, 2021

Major issues and main recommendations	Our primary remedial measures	Latest inspection report date and latest remedial report submission date
Inadequate credit risk management, including (i) inadequate pre-loan investigations, with a lack of effective verification of financial statements and transaction contracts provided by borrowers; (ii) improper loan extension and renewal process, with incomplete and insufficient assessment of the primary repayment source; (iii) inadequate post-loan management, with a lack of comprehensive monitoring of fund usage and incomplete collection of documentation for fund utilization; (iv) inadequate recognition of related-party loans.	Further strengthened pre-loan investigation and post-loan management, refined the investigation content and the investigation processes, increased inspections over borrower background, asset status and assessment of collateral values; enhanced management of loan classification, increased the provision for impairment; implemented detailed loan disbursement management rules, strengthened entrusted payment management for loan funds, enhanced loan fund utilization monitoring, and promptly collected transaction documentation as supporting evidence for loan application purposes; improved the management mechanism of related party transactions; established a cross-departmental office for related-party transaction management, revised and improved related-party-transaction-related systems, enhanced the management of the lists of related parties, and conducted quarterly reidentification of related parties to ensure that the identification and management of related parties and transactions are in compliance; and strengthened staff business training and compliance education in this regard.	June 19, 2020 and July 19, 2021

Employee Non-compliance

We continuously monitor the behavior of our employees to ensure compliance with applicable laws and regulations, internal code of conduct, and to prevent fraudulent activities. During the Track Record Period and up to the Latest Practicable Date, certain of our employees had been subjected to administrative penalties by the relevant regulatory authorities or convicted of criminal offenses due to their non-compliance incidents. Details of such incidents are set forth below:

Case of Mr. Deng Zhijun

On March 11, 2021, Mr. Deng Zhijun, a former employee who served various roles at our Bank from 2002 to 2020 (including his latest role as the head of the Lingang Sub-branch in 2020), was found guilty of accepting bribes in the total amount of RMB569,230.77 during the course of his official duties from 2009 to 2018. After being informed of the incident, we actively cooperated with the investigation and examination work carried out by the supervisory authorities. As a result of the investigation and legal proceeding initiated thereto, Mr. Deng was sentenced to three years of imprisonment and fined RMB200,000 on March 11, 2021 on the first instance. Our Bank did not receive any regulatory administrative penalties from the former CBIRC due to Mr. Deng's case.

We additionally conducted comprehensive internal investigations into the businesses involved in Mr. Deng's case and submitted the investigation results to the former CBIRC Yibin office. The internal investigation did not reveal any significant violations or irregularities in relevant businesses, except for certain operational deficiencies in the handling of certain businesses. We have taken corresponding internal disciplinary actions and submitted internal investigation results, internal disciplinary actions, rectification measures and case closing report to relevant authorities thereafter.

After conducting their own verification, the former CBIRC Yibin office did not determine that the case involved significant violations or irregularities during the business transactions. Therefore, our Bank and personnel did not receive any regulatory administrative penalties from the former CBIRC due to Mr. Deng's case.

Based on the above, we are of the view that the aforementioned case was an isolated incident which does not reflect any systematic deficiencies in our internal control or risk management systems. After the occurrence of the incident, we have terminated the employment contract with Mr. Deng and taken a number of proactive measures to improve its internal control and prevent similar incidents from occurring, including:

(i) enhancing credit risk management, including enforcing timely supplement of credit information and refining the pre-loan, mid-loan and post-loan management and monitoring. In particular, with respect to loan approval process, we have enhanced investigations on borrowers' background and credit history and strengthened cross-verification on such information through multiple channels to ensure the comprehensiveness, accuracy and authenticity of borrowers' conditions and eligibility;

(ii) reinforcing employee training and education, including holding a bank-wide conference on case-driven warning and education, conducting specialized compliance education sessions with focuses on key areas such as credit, bills and interbank business, and holding regular interviews with individual employees to address potential issues; and

(iii) establishing long-term mechanism for case-driven improvement, which included measures such as formulating implementation plan, strengthening management cadre development, fostering a culture of integrity and compliance, enhancing the supervisory and management system, establishing an honest reporting mechanism, and strengthening supervisory inspection and accountability. By implementing the abovementioned measures, we aim to learn from the case, increase compliance awareness, and promote a clean and discipline organizational culture, ultimately strengthening internal controls, management and risk prevention to ensure the safety and stability of operations.

On the grounds that (i) the relevant misconduct occurred between the years of 2009 and 2018 prior to the Track Record Period; (ii) all relevant case investigations, accountability and rectification had been concluded by May 2021; (iii) our Bank was not subject to any penalty due to the case; and (iv) all loans involved in the case had been fully settled with no outstanding balance on the balance sheet as of June 30, 2024, we are of the view that the case does not have any material adverse impact on our operations and financial position during the Track Record Period.

Case of Mr. Li Zhi

On December 28, 2021, Mr. Li Zhi, a former employee who served various roles at our Bank from 2009 to 2015 (including as the head of Sanjiang Sub-branch in 2014, head of the Yibin County Sub-branch in 2015, and his latest role to settle and collect NPLs at Chengxin Road Sub-branch from 2015 to 2021), was found guilty of (i) accepting bribes in total monetary amount of approximately RMB1.5 million from 2009 to 2015, and (ii) knowingly approved loans in the total amount of RMB97.4 million to ineligible borrowers from 2013 to 2014. As a result of the investigation carried out by NAFR Yibin office, on June 2, 2022, Mr. Li Zhi was banned from working in the banking industry for life. On December 28, 2021, Mr. Li Zhi was sentenced to 13 years of imprisonment and fined RMB650,000 for bribery and illegally issuing loans. In relation to the case, the Xuzhou sub-branch was subject to an administrative penalty of RMB1.5 million.

We conducted comprehensive internal investigations into the case, including a risk assessment and investigation into the loan businesses involved in the case, and have taken corresponding internal disciplinary actions and rectifications to enhance our internal control as described below. In June 2021, we terminated the employment contract with Mr. Li.

The former CBIRC Yibin office did not determine the case as a material case. As of the Latest Practicable Date, all involved assets had been settled, written off or transferred out, with no remaining balances on the balance sheet. Based on the above, we are of the view that the aforementioned case was an isolated incident which does not reflect any systematic deficiencies in our internal control or risk management systems. After the occurrence of the incident, we have taken a number of proactive measures to improve our internal control, enhance compliance awareness of our employees and management, and prevent similar incidents from occurring, including:

(i) enhancing compliance education by holding online and offline training sessions aimed to boost compliance awareness and improve understanding of operational norms and internal control; holding regular sessions covering regulations, policies, systems, internal controls, compliance and case studies; and holding consistent integrity talks, reminders and educational visits to foster an integrity-driven culture;

(ii) implementing case-driven governance policies, including *Guidelines for Case-Driven Improvement* (《宜賓市商業銀行違規違法違紀典型案例以案促改工作指導意見》) and *Implementation Plan for "Li Zhi Case' Warning Education and Deepening Case-Driven Improvement* (《開展"李智案"警示教育深化以案促改工作實施方案》), which formed the basis for identifying issues in operational management from a case perspective. We also implemented the *Special Rectification Plan for Prominent Credit-related Issues* (《宜賓市商業銀行信貸領域突出問題專項整治工作方案》) designed to address non-compliance issues in credit operations, which includes a six-month specialized rectification initiative, led by a dedicated leadership team, to address problems in systems, execution, operational norms and risk management; and

(iii) strengthening preventative measures by refining the risk management and internal control systems, including:

(a) selectively establishing a more competent and responsible management team and customer manager team with a sense of integrity, with implementation of corresponding guidelines such as the *Interim Measures for Customer Manager Management* (《客戶經理管理暫行辦法》) to ensure an effective top-down management;

(b) enhancing the "three-inspection" system, covering (i) pre-loan investigations, including reinforcing strict borrower eligibility review based on specific criteria, conducting comprehensive investigation and cross-verification on borrowers' business authenticity and condition, and adhering to rigorous loan review procedures and standards to prevent credit risk; (ii) mid-loan procedure, including reinforcing the face-to-face contract signing procedure to prevent delegation or remote signings; ensuring a two-person handling procedure for mortgage registration to enhance cross-supervision; implementing strict review of credit fund disbursement by ensuring strict adherence to the "actual lending and actual payment" principle[1] to supervise usage of loan funds and prevent misappropriation of funds; and enforcing loan disbursement responsibility and strengthening supervision on loan disbursement process; and (iii) post-loan management, including enhancing monitoring and inspection of customer loan usage by ensuring timely tracking of customers' business conditions and conducting on-site inspection and evaluation of collaterals, in order to prevent misappropriate of loan funds and transfer of assets;

1 "actual lending and actual payment" principle refers to a process where banking financing institutions disburse loan funds mainly through entrusted payment methods according to the borrower's withdrawal application and payment entrustment. This is based on the progress of the loan project and the valid loan demand, and the funds are paid to the borrower's transaction subjects in accordance with the contract terms.

(c) refining the credit management policies to strengthen credit management on group customers and single legal entity customers, including strict enforcement of the *Guidelines for Unified Credit Management of Group Customers* (《宜賓市商業銀行集團客戶統一授信管理辦法》) and *Guidelines for Unified Credit Management of Single Legal Entity Customers* (《宜賓市商業銀行單一客戶統一授信管理辦法》) to ensure proper recognition, investigation and credit assessment of different types of customers based on defined criteria, among others; and

(d) establishing sound inspection, reporting and accountability systems, including strengthening the three lines of defense in business, risk compliance and internal audit, encouraging internal reporting of wrongdoings and maintaining strict accountability system to deter violations and non-compliances.

On the grounds that (i) the relevant misconduct occurred between the years of 2009 and 2015 prior to the Track Record Period; (ii) all relevant case investigations, accountability, rectification and legal proceedings had been concluded by the end of 2021; (iii) the case was not determined by the competent authorities as a material case; and (iv) all involved assets had been settled, written off or transferred out as of the Latest Practicable Date, we are of the view that the case of Mr. Li does not have any material adverse impact on our operations and financial position during the Track Record Period.

Compliance with Core Indicators

We have complied with the relevant regulatory requirements and guidelines relating to business operations, risk management, tax compliance and internal control in all material respects. In particular, we are required to comply with the various ratios as required in the Core Indicators (Provisional). During the Track Record Period and up to the Latest Practicable Date, no administrative penalties had been imposed on us due to noncompliance with the Core Indicators (Provisional) in regulatory checks and reviews.

Anti-Money Laundering

No material anti-money laundering incidents had been identified by, or reported to, senior management during the Track Record Period. For details of our anti-money laundering measures, see "Risk Management – Compliance Risk Management."

OVERVIEW

The primary risks in relation to our operations include credit risk, liquidity risk, market risk, operational risk, information technology risk, reputational risk and legal and compliance risk. We have established an integrated risk management system with comprehensive risk coverage and continuously invested in its upgrade and optimization. Our comprehensive risk management system enables us to effectively manage primary risks associated with our daily operations and achieve sustainable business growth.

OUR RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The overall objective of our risk management is to build and maintain a comprehensive risk management system so that we can effectively mitigate risks and develop our business in a sustainable way. To achieve these objectives, we have implemented the following principles in our risk management:

- ***Compatibility***. Our risk management system shall be compatible with our risk exposure and its systemic importance. Meanwhile, our risk management system shall be adjusted or updated in response to changes in the market environment.

- ***Comprehensiveness***. Our risk management system shall encompass each business line, branch, sub-branch, department, position, and employee, as well as all types of risks and their interactions. All management processes, from decision-making and implementation to supervision, shall incorporate the risk management system.

- ***Independence***. We strive to establish an independent risk management organizational structure, empowering our departments relating to risk management with sufficient authority and resources. Our departments relating to risk management can exercise their duty through scientific and reasonable reporting channels to form a balanced operational mechanism within business lines.

- ***Effectiveness***. We integrate the results of our risk management system into our operational management. We assess the adequacy of capital and liquidity in response to prevailing risk, market and macroeconomic conditions, thereby effectively mitigating overall risk and specific risks.

RISK MANAGEMENT FRAMEWORK

We have established a comprehensive and sound risk management framework. Our top-down risk management system divides risk management responsibilities by hierarchy and clearly defines the roles of each department. Our risk management organizational structure primarily comprises (i) the Board of Directors that serves as the supreme risk management and decision-making institution; (ii) special risk management committees at the board level that perform risk management duties delegated by the Board of Directors; (iii) the Board of Supervisors that takes charge of supervision over risk management work; (iv) the senior management that implements our risk management policies and procedures; and (v) departments relating to risk management that are responsible for daily risk management work. We have established clear and specific reporting and communication procedures to ensure an efficient and effective coordination among departments to address various risks.

Board of Directors and its Special Committees

The Board of Directors is our highest risk management and decision-making body, bearing the ultimate responsibility for risk management. Our Board of Directors mainly carries out the following duties: (i) establishing and actively promoting a robust risk culture; (ii) formulating our overall risk management strategy, policies and procedures; (iii) determining our risk appetite and the overall level of risk that we can bear; and (iv) overseeing senior management to take necessary measures to identify, measure and monitor various risks.

We have established the Risk Management Committee, the Audit Committee, the Related Party Transactions Control Committee, the Strategy and Asset and Liability Management Committee, and the Internal Control and Compliance Committee to fulfill part of the Board of Directors' comprehensive risk management duties. Our Board of Directors and the Risk Management Committee regularly hold meetings to review senior management's risk assessments, make decisions on significant risk issues according to regulations and supervise implementation.

Risk Management Committee

Our Risk Management Committee's main responsibilities include, among others: (i) reviewing our risk control strategies (including risk control strategic objectives and control strategies of credit risk, market risk, and operational risk faced by business development, striving to balance and unify the effectiveness, security and liquidity of operation and management), and our annual risk management objective plan for decision-making by the Board of Directors; (ii) regularly assessing our risk and management status, risk tolerance and level, and putting forward suggestions on improving risk management and internal control; and (iii) conducting investigations on major investment decisions and major asset disposal within the scope of its responsibilities according to the Board of Directors' requirements, and has the right to hire external experts to assist in its work as it deems it appropriate.

The Risk Management Committee consists of four members and is chaired by Mr. Yang Xingwang.

Audit Committee

Our Audit Committee's main responsibilities include, among others: (i) being responsible for preparing the plans for conducting examination on the Directors and senior management personnel when they resign, preparing the plans for the inspection and supervision of our financial activities, reviewing our financial and accounting policies and practices, and preparing the plans for the examination of our business decisions, risk management and internal control; (ii) proposing to employ, reappoint, dismiss or replace an external audit organization, approve the remuneration and employment terms of the external audit organization, and handle any issues related to the resignation or dismissal of the audit organization; serving as the main representative between us and external audit organizations, and being responsible for monitoring the relationship between the two; (iii) understanding major financial matters and changes in accounting policies of the Bank in a timely manner; (iv) reviewing and monitoring the independence and objectivity of the external audit organization and the effectiveness of audit procedures in accordance with applicable standards; discussing the external audit plan for the current year (including audit nature, scope, procedures, methods, and related reporting responsibilities) with the external audit organization before the start of the audit work, and reviewing the opinions and suggestions of the external audit organization at the end of the audit; (v) discussing the risk management and internal control system with management to ensure that management has fulfilled its responsibilities and established an effective system, include whether our resources in accounting and financial reporting functions, employee qualifications and experience are sufficient, as well as whether the training courses received by employees and related budgets are sufficient; and (vi) reviewing the completeness of our financial statements, annual reports and accounts, half-yearly reports and (if proposed to be published) quarterly reports, and reviewing the significant opinions on financial reporting included in the statements and reports, considering any major or unusual matters reflected or required to be reflected in such reports and accounts, and giving due consideration to any matters raised by our internal accounting and financial reporting personnel, internal audit department head or auditors.

The Audit Committee consists of three members and is chaired by Ms. Yu Xiaoran.

Related Party Transactions Control Committee

Our Related Party Transactions Control Committee's main responsibilities include, among others: (i) confirming the list of related parties and reporting to the Board of Directors; (ii) formulating the management system for related party transactions, and clarifying the approval procedures for related party transactions, and submitting the same to the Board of Directors for consideration and approval before implementation; (iii) reviewing major related party transactions, focusing on the compliance, fairness, and necessity of the related party transactions, proposing review opinions and submitting the same to the Board of Directors for approval; (iv) reviewing the annual special report on the overall status of related party transactions, submitting the same to the Board of Directors for consideration and approval, and reporting to the general meetings, and submitting the same to banking regulatory authorities.

The Related Party Transactions Control Committee consists of three members and is chaired by Mr. Yao Liming.

Strategy and Asset and Liability Management Committee

Our Strategy and Asset and Liability Management Committee's main responsibilities include, among others: (i) studying and formulating our long-term development strategy and medium to long-term development outline, and making recommendations to the Board of Directors; (ii) supervising and evaluating the implementation process of the strategies, including supervising and inspecting the implementation of annual business plans, investment plans and green credit development strategies; (iii) proposing strategic adjustment suggestions based on changes in the business environment; and (iv) providing suggestions and proposals for our major investment decisions, including fixed asset investments and equity investments.

The Strategy and Asset and Liability Management Committee consists of seven members and is chaired by Mr. Xue Feng.

Internal Control and Compliance Committee

Our Internal Control and Compliance Committee's main responsibilities include, among others: (i) reviewing and approving our compliance policies, supervising the implementation of compliance policies, reviewing and approving the compliance related report, and conducting daily supervision on our internal control risk and compliance risk management, according to the authorization of the Board of Directors; (ii) urging us to operate prudently within the legal and policy framework in accordance with the requirements proposed by the Board of Directors to establish and implement a sufficient and effective internal control and compliance risk management system; (iii) urging the senior management to develop systematic systems, processes and methods, taking corresponding risk control measures, establishing and improving the internal organization, and ensuring the effective performance of various responsibilities of internal control, according to the acceptable risk level determined by the Board of Directors; and (iv) organizing the monitoring and evaluation of the adequacy and effectiveness of the internal control and compliance risk management system, supervising the effective implementation of the internal control system and compliance policies, and reviewing the annual internal control evaluation report and submitting the same to the Board of Directors for approval.

The Internal Control and Compliance Committee consists of three members and is chaired by Ms. Zhao Jingmei.

Board of Supervisors

Our Board of Supervisors assumes the supervisory responsibility for our comprehensive risk management, overseeing the performance of the Board of Directors and senior management in risk management and urging corrective actions. The relevant supervision and inspection status is included in the Board of Supervisors' work report.

Senior Management and its Special Committees

Our senior management is responsible for the implementation of our comprehensive risk management and executing the resolutions of the Board of Directors. The main responsibilities of our senior management include: (i) establishing the operational management framework adapted to comprehensive risk management, clarifying the division of responsibilities in risk management among the comprehensive risk management functional departments, business departments, and other departments, and establishing a mechanism for inter-departmental coordination and effective checks and balances; (ii) establishing mechanisms for risk culture training, communication, and supervision, and promoting understanding and implementation of all of our employees; (iii) formulating clear execution and accountability mechanisms to ensure that risk management strategies, risk appetites, and risk limits are fully communicated and effectively implemented; (iv) formulating risk limits in accordance with the risk appetite set by the Board of Directors, taking into consideration multidimensions including but not limited to industry, region, customer and product; (v) formulating risk management policies and procedures and periodically evaluating and adjusting these policies and procedures as necessary; and (vi) assessing the overall risks and various important risk management statuses and reporting to the Board of Directors.

Departments Relating to Risk Management

Head Office and Risk Management-related Departments

We follow the requirements of comprehensive risk management and specialized risk division, and appropriately divide the risk management work among the departments of the head office. We have established a comprehensive, multidimensional risk management implementation system that combines horizontal and vertical cooperation, strengthening the execution effectiveness. We have set up multiple departments at the head office, each responsible for managing the risks in their respective fields. The key duties and responsibilities of our main departments relating to risk management are set forth as below.

Risk Management Department

The risk management department at our head office takes charge of our overall coordination of risk management. Our risk management department is mainly responsible for (i) taking the lead in the establishment of a comprehensive risk management system, credit business risk review, credit risk control, non-performing asset control, collateral value review, financing guarantee company business management, and asset quality management; (ii) taking the lead in the disposal of large amounts of non-performing assets, undertaking the function of the secretariat of the loan review committee and market risk, and information technology risk management and other functions; and (iii) coordinating various departments to manage and control risks.

Business Development Department

While fulfilling its duties related to credit management, the business development department also bears the responsibility of centralized risk management for our unified credit and concentration risks. The main responsibilities of the business development department include: (i) drafting and modifying our credit policy, organizing the formulation of management rules and regulations within the scope of its duties and supervising their implementation; (ii) establishing and improving the internal control systems within the scope of its duties under our comprehensive risk management framework, to ensure the operation and management of our credit business, and organizing their implementation; (iii) establishing our credit business organizational structure and business process improvement work; and (iv) implementing risk assessments and tests and proposing related opinions or suggestions, so as to ensure that internal policies and business processes comply with legal requirements, rules and guidelines, ensuring the effective connection between internal regulations and external systems.

Planning and Finance Department

While fulfilling our financial management duties, the planning and finance department also takes on the responsibility of centralized management of our liquidity risk and bank book interest rate risk. The main responsibilities of the planning and finance department include: (i) undertaking the formulation, inspection, assessment, and training of our basic financial system, to regulate financial behavior, accurately reflect financial status, improve the quality and level of financial accounting and management, prevent and resolve financial risks and strive for maximization of value; (ii) undertaking the financial accounting and management responsibility of the head office, so that the assets, liabilities, owner's equity, income, costs, and profits of the head office can be truly, accurately, completely, and timely calculated, reflected, managed, and supervised; (iii) undertaking the leadership responsibility of statistical management and the submission of related statistical reports, and improving the quality and added value of statistical data; and (iv) undertaking asset-liability management, liquidity management, pricing system construction and management.

Compliance Management Department

The compliance management department, while fulfilling our legal review and case prevention duties, also performs the centralized management function for operational risks. The main responsibilities of the compliance management department include: (i) leading case prevention and compliance management work, and organizing and accomplishing annual compliance case prevention suggestions; (ii) formulating compliance management regulations, procedures, and rules, and ensuring their implementation; (iii) guiding and supervising our compliance management work, promoting the orderly development of compliance management, and effectively identifying and managing compliance risks; and (iv) supervising the construction of internal control system and the implementation of internal control measures and driving revisions and improvements to the internal control system to enhance internal control construction.

Accounting Management Department

The accounting management department, while performing our accounting management, payment and settlement, and cash risk management duties, also carries out centralized management functions for money laundering and terrorist financing risks. The main responsibilities of the accounting management department include: (i) leading anti-money laundering initiatives; (ii) managing the bank-wide counter accounting business; (iii) establishing a bank-wide cash system; (iv) managing our large value and low value payment systems, accounting data centralized system (ACS) system operation, reconciliation, and operational monitoring; (v) conducting centralized post-auditing of daily business vouchers for all sub-branch offices within the Yibin jurisdiction, notifying audited units to rectify errors discovered during the audit; and (vi) managing bank-wide reconciliation work, and supervising, inspecting, and evaluating bank-wide reconciliation tasks.

General Management Department

The general management department, while fulfilling our administrative management work duties, also performs the centralized management function for our reputational risks. The main responsibilities of the general management department include: (i) managing our brand promotion and public relations; (ii) leading the bank-wide reputation risk management, and guiding branch and sub-branch offices to handle reputation risk events promptly; and (iii) managing bank-wide confidentiality work and supervising the correct use of seals in the branch and sub-branch offices.

Strategic Management Department

The strategic management department, while performing daily work duties, also carries out the centralized management function for our strategic risks. The strategic management department is primarily responsible for formulating strategic plans, and promoting and monitoring plan implementation. The strategic management department timely summarizes the effects of plan execution, performs annual evaluations, and revises strategic plans based on the strategic execution situation.

Information Technology Department

The information technology department, while performing information technology operation and other work duties, also performs our data governance, information technology outsourcing management, business continuity risk management and cybersecurity risk management functions. The information technology department is mainly responsible for: (i) constructing, operating, and maintaining information technology infrastructure, such as our data center, network systems, security systems, and business and management information systems; (ii) conducting information technology security management, information system security protection, and information technology security education across the bank; (iii) supporting our continuous operation management work; and (iv) organizing bank-wide information system emergency management and drills.

Retail Banking Business Department

The retail banking business department, while performing retail banking business management and other work duties, also performs duties to protect consumer rights. The department has a consumer rights protection center, which is mainly responsible for: (i) formulating the bank-wide consumer rights protection regulations; (ii) bank-wide consumer protection promotion and training and supervision of the implementation of consumer protection system; (iii) assisting in organizing bank-wide branch and sub-branches for service standardization certification and star-rated branch and sub-branch application work; and (iv) managing the daily work of the customer service centre, leading the communication and coordination work for customer complaints.

Internal Audit Department

The internal audit department is responsible for urging relevant audit subjects to effectively fulfil their responsibilities. The main responsibilities of the internal audit department include: (i) independently and objectively monitoring and evaluating our business activities, management activities, financial activities and economic responsibilities, and providing relevant consulting services; (ii) drafting audit regulations, preparing and implementing medium- and long-term audit plans and annual audit plans, carrying out comprehensive audits, evaluating rectification situations, and being responsible or the quality of audit projects; (iii) promoting the implementation of national economic and financial laws and regulatory strategies' and (iv) promoting the establishment and continuous improvement of our systems for risk management, internal control and corporate governance.

Branch and Sub-branch Level Risk Management Framework

Each of our branch and sub-branches assumes direct and principal responsibility for our institution's risk management. They are tasked with specific control over various types of risks, fulfilling the following responsibilities: (i) establishing effective risk control mechanisms to ensure the effective execution of risk preferences, management policies, and limits within their respective institutions; (ii) collecting information and using technological means to identify, monitor, and control various risks in operations and the business activities they carry out; (iii) reporting risk conditions to the respective departments responsible for the relevant centralized risk management work; and (iv) taking effective measures to prevent and resolve specific risks they face.

CREDIT RISK MANAGEMENT

Credit risk refers to the potential loss risk due to default or credit rating downgrade of a debtor or counterparty, or a decrease in their ability to fulfill contractual obligations. The credit risks we face are primarily associated with our corporate lending, personal lending, financial market operations, and off-balance sheet businesses in which we shall bear credit risk, such as bank acceptances and letters of guarantees.

We have established and continued to refine a comprehensive system to manage our credit risk, in order to identify, measure, monitor, mitigate, and control risks generated in the credit process. We have implemented standardized loan review policies and procedures. We also seek to improve our overall credit risk management capabilities through various measures, such as upgrading our credit management system, implementing an asset quality classification management system, and further strengthening credit review and supervision.

Credit Policy Guidelines

We strive to balance robust loan growth with a prudent risk management culture. In response to local, domestic, and international economic conditions, as well as government policies and regulatory requirements, we have developed detailed guidelines for managing credit risk. Our guidelines include overarching credit policies as well as instructions for key industries. These guidelines regulate our credit authorization in various respects, such as industry, customer, product, and management. We also adjust our guidelines in a timely manner to adapt to changes in government policy, economic environment, and our own risk preferences.

Credit Risk Management of Corporate Loans

Our credit risk management procedures for corporate loans include pre-loan investigations, pre-loan review and credit approval, loan control, post-disbursement management, and non-performing asset management.

Pre-loan Investigations

Customer Application Acceptance

Once our corporate banking customers submit a credit application, we begin a preliminary pre-loan investigation. We require applicants to provide necessary certification documents, such as their organization documents, business licenses, financial reports of the most recent three year and the latest financial statements. We also ask applicants to provide the foundational contract information for their credit applications, such as raw material procurement plans and contracts, product sales plans or contracts. After accepting the customer's application and receiving the related materials, our credit business operating line will promptly review the completeness, legality, standardization, authenticity, and validity of the materials. This helps us determine if the customer meets our credit business admission criteria, and whether they align with our current credit direction, and structure adjustment goals. At the same time, we implement the anti-money laundering requirement, verifying the customer's identity.

Pre-loan Investigation

Our credit business's investigation evaluation work primarily comprises customer investigation evaluation, business investigation evaluation, and guarantee investigation evaluation. Specifically:

- *Customer Investigation Evaluation.* We gain an intuitive understanding of the customer by reviewing the materials they provide and conducting on-site visits. We form an understanding of the customer's basic profile, operational situation, financial situation, credit status, repayment source, and the character of the enterprise's shareholders and legal representatives (or actual controller).

- *Credit Business Investigation Evaluation.* We conduct a feasibility study on the credit business the customer applies for. According to the requirements and methods of different types of credit business, we investigate and analyze the customer's capital demand volume and source channels, calculating the actual demand volume and usage term of the customer's credit from us. At the same time, we analyze and evaluate the risk points and cost-effectiveness of the credit business, proposing risk prevention and resolution plans.

- *Guarantee Investigation Evaluation.* We conduct on-site visits and investigations to the guarantors, verify the relevant documents and information provided by the guarantors, and rigorously assess the collateral, so as to determine the authenticity, validity, legality and compliance of the guarantee.

Credit investigation personnel write an investigation evaluation report based on the results of the credit business investigation evaluation, and, upon risk review, submit the credit investigation materials to the person in charge of the credit department of the loan operating line for approval.

Collateral and Pledge Evaluation

We generally require our security interests pertaining to pledged or collateralized loans to be sufficient to cover the principal and interest of the corresponding secured loans. See Note 3.1.3 of Appendix I to this Prospectus for details of our maximum loan-to-value ratio requirements for principal types of collaterals and pledges securing our corporate and personal loans.

We have formulated the Management Measures for Collateral and Pledges (《抵質押品管理辦法》), outlining the principles in collateral management, and defining the regulations regarding collateral admission and classification, collateral value assessment, and the establishment and modification of collateralized guarantees. To further fortify the assessment management of collateral and to mitigate substantial risks relating to imprecise collateral evaluations before lending, we have established the Interim Measures for Internal Assessment of Collateral (《抵質押物內部評估(暫行)辦法》) and formed an internal assessment team skilled in evaluating certain forms of collaterals, mainly financial collaterals such as deposit receipts, warehouse receipts, bills of lading, and accounts receivables with relatively simple valuation methods and available market comparables. This team, endowed with specialized knowledge and work experience, collects recent transaction prices of identical or similar assets in the market during on-site collateral inspections, undertakes comparative analyses, and cautiously determines collateral values and loan-to-value rates by taking into consideration factors such as collateral wear and tear during the mortgage period, actual acquisition price, price levels, statutory preferential repayments, and liquidation ability, ensuring that the collateral is duly valued.

Furthermore, while we house an internal assessment team, we engage qualified external professional organizations for collaterals requiring specialized expertise such as intellectual property, cellars and forest rights, or when external assessment is mandated by legal regulations, policies, courts, arbitration authorities or competent authorities. We have established an external assessment institution hiring system and a whitelist of relevant asset evaluation institutions in line with regulations governing the management of state assets.

Pre-loan Review and Credit Approval

After the investigation and evaluation are qualified, the credit investigation personnel will transfer the credit investigation materials to the risk review personnel for review. In accordance with the requirement of separation of credit review and loan review, we have established a separate risk review center, which is responsible for implementing and guiding the credit business risk review work of the whole bank. The credit business risk review focuses on the credit risk review. We carry out credit risk review on the integrity and validity of the credit information, the qualification of the customer credit status, financing purpose and repayment capability and other aspects, based on the basic information of the customer, project information, guarantee information, and internal operation information of us and other relevant information transferred by the branch or sub-branch. In addition, the risk review center also urges the front desk account manager to conduct anti-money laundering investigations and identify customers in accordance with our anti-money laundering management regulations. Our pre-loan review includes:

- *Subject qualification review.* Through the review of the customer's articles of association, business license and other materials, we analyze whether the customer's subject and business activities are legal, whether the internal governance structure is sound, and whether the financing matters have been authorized by the competent authority. We determine whether the customer is qualified as a customer based on the relevant laws and our relevant documents on the conditions of the customer.

- *Credit status review.* We determine the credit status of the customer by examining the customer and its legal representative, actual controller, guarantor's credit investigation and business integrity performance, analyzing whether it has a major bad credit record, and whether it applies for loans through other financial institutions other than us.

- *Review of use of credit.* We review the project feasibility study report, purchase and sales contract and other materials, combined with relevant laws, industrial policies and our credit investment regulations, to determine whether the specific use of credit is compliant and legal, whether it is in line with the country's industrial policies, and whether it complies with our credit direction regulations.

- *Repayment capability review.* Through the review of the customer's specific risks and financing project risks, a comprehensive evaluation of the customer's repayment capability is made.

- *Guarantee analysis.* By reviewing the guarantee method, the basic situation of the guarantor, the financial strength of the guarantor, the relationship between the guarantor and the customer, the collateral, the type of pledge, the status of ownership, the appraised value, and the cashability, it is determined whether the guarantee can effectively alleviate the credit risk.

We determine the pre-loan review and credit approval authority among our different institutions according to the loan amount. In order to serve and manage customers' loan applications more effectively, we authorize our branch and sub-branches to handle loan applications within the scope of their authorization. In addition, in order to optimize the balance between business development and risk management, we will consider various factors, including the nature and specifications of relevant collateral or pledge, and adjust the pre-lending review and credit approval authority from time to time.

Pre-loan Review and Credit Approval of Branches and Sub-branches

For the credit business within the review authority of the branch or sub-branch, the branch or sub-branch shall establish a risk review team to conduct the review. The review personnel of the branch or sub-branch shall fill in the credit business risk review opinion form after reviewing the basic information of the customer, project information, guarantee information, and internal operation information of us and other relevant credit information provided by the branch or sub-branch. Then the examiners of the branch or sub-branch will hand over the materials to the person in charge of such branch or sub-branch for approval.

Pre-loan Review and Credit Approval by the Head Office

Credit business that exceeds the scope of authorization of the review personnel of branch or sub-branch shall be reported to the head office, of which the risk review personnel review the basic information of the customer, the project information, the guarantee information and our internal operation information and other relevant credit information provided by the branch or sub-branch, and then fill in the credit business risk review opinion form. For credit business within the approval authority of the branch or sub-branch, the credit information and review opinions will be returned to the branch or sub-branch after the review, and the authorized approver of the branch or sub-branch will conduct the approval.

Credit business that exceeds the approval authority of the branch or sub-branch, after being reviewed by the risk review personnel, shall be submitted to the authorized approver of the head office for approval if the business exceeds the certain amount, or to the loan approval committee of the head office for deliberation in accordance with the corresponding credit business authorization regulations if it is below the certain amount. If it is approved, it will be submitted to the authorized approver of the head office for approval.

Loan Issuance Management

Our loan issuance process encompasses five steps: fulfilling pre-loan conditions, signing of loan contracts, fulfilling disbursement conditions, disbursement of loans, and loan registration.

Fulfilling Pre-loan Conditions

For approved credit business, pre-loan conditions, such as opening a basic settlement account, signing a bank-enterprise cooperation agreement, and implementing customer commitments, must be fulfilled. Once the conditions for approval are met, a credit contract can be signed.

Signing of Loan Contracts

After fulfilling loan conditions, we promptly sign credit contracts with the credit business applicant and guarantor using standard terms issued by our head office. Any deviation from standard terms must be reviewed by the head office's credit management department and legal review personnel. At the time of signing, the credit operation staff must sign the contract in person with the customer.

Fulfilling Disbursement Conditions

After the contract is signed, for credit contracts that require mortgage or pledge registration, notarization, insurance, and other conditions to take effect, we handle mortgage or pledge registration procedures according to related regulations, and obtain mortgage or pledge registration certificates and other legal proofs.

Disbursement of Loans

After implementing disbursement conditions, we proceed with loan disbursement as per our protocol. When a customer utilizes a loan, it should be reviewed by the lending personnel, who checks whether the customer's disbursement plan is consistent with the agreed-upon loan contract, ensuring the authenticity, security, and legality of the loan, and guarding against the risk of the customer using the credit funds for money laundering. For loans used for fixed asset projects, we require customers to first use their own funds, followed by the loan, or disburse the loan and their own funds in the same proportion.

Loan Registration

After the loan is disbursed, the customer manager registers the loan ledger with the loan voucher and related contracts. For credit matters as regulated by the PBoC, we register relevant credit business information in a timely manner according to the requirements of the PBoC's personal credit or corporate credit management, and report within the prescribed time.

Post-disbursement Management

Our post-disbursement management encompasses the entire process from the disbursement of the loan or other credit activities until the principal and interest are recovered or the credit ends. This includes account supervision of customers, post-disbursement inspections, risk warning, loan risk classification, document management, handling problematic loans, loan recovery and summary.

Post-disbursement Inspection

During the post-disbursement stage, we assign account managers who, in accordance with risk control measures and management requirements proposed during the pre-loan investigation and review approval, implement disbursement conditions, supervise loan usage, and carry out continuous tracking and inspection of the customer's business operations.

Our customer managers conduct comprehensive inspections of the customer's basic situation, operational status, financial situation, credit status, and guarantee conditions every quarter. For high-risk credit business types such as movable property mortgages or pledges, we increase the frequency of post-disbursement inspections according to different management requirements and retain post-disbursement inspection materials related to borrowers and guarantees, among others. Furthermore, for project loans, new customer's first credit, and additional credit (except for low-risk businesses, personal consumer loans, and personal credit loans), customer managers must carry out the first tracking inspection within 15 days of the occurrence of the credit business, as stipulated. We focus on checking whether the customer uses the credit funds according to the contract's agreed usage and the implementation of restrictive clauses. When the customer may or has actually incurred risks affecting the safety of credit assets, we conduct on-site tracking inspections of the customer within two working days of discovering the risk, analyze the causes and trends of risk formation, and formulate risk resolution and disposal plans.

Risk Monitoring and Early Warning

Through data and information collected from daily monitoring and post-disbursement inspections, we perform quantitative and qualitative analysis, find early warning signals affecting the safety of credit assets, identify the type, degree, cause, and development trend of loan risks, and take targeted measures according to prescribed procedures and requirements to prevent, control, and resolve loan risks in a timely manner. We prudently identify all early warning signals that may affect the normal operations of the borrower and guarantor and lead to the borrower's possible inability to repay the loan principal and interest or fulfill their obligations on time. Depending on the extent of the impact on the safety of credit assets, we have set three risk warning levels: level one warning, level two warning, and major matter warning. When a customer manager finds warning signals for a loan, they need to report to the branch or sub-branch, head office department, or head office leaders according to the different levels. Relevant responsible departments or persons will immediately organize relevant personnel to conduct on-site verification of warning loans upon receiving the risk warning report, formulate effective risk control measures in a timely manner, propose risk disposal and resolution plans, and take measures such as locking the risk loan balance, asking customers to stop using the loan or declaring the loan to be due early, adding guarantees, extending the loan, or taking legal procedures to prevent the occurrence of credit asset losses or the expansion of risk.

Due Date and Collection Management

For loans that have not been collected upon their due date, the loan department of the lending bank will call the borrower and the guarantor for collection or make an on-site collection within 30 days of the loan's due date. If the loan is still not collected within 30 days of the loan's due date, we issue a debt overdue collection notice to the borrower and the guarantor and continue to issue notices quarterly to the borrower and guarantor until the loan is collected, obtaining a signed receipt to ensure the continuity of the statute of limitations for litigation. If the loan is still not collected 90 days after the loan's due date, we will take effective bad loan disposal measures.

Loan Classification

Loan classification is an important part of our continuous loan monitoring. According to the loan quality classification standards, we divide loans into five categories: normal loans, watch loans, substandard loans, doubtful loans, and loss loans, and we regard substandard loans or below as non-performing loans.

Non-performing Asset Management

We place a high importance on the disposal of non-performing loans. According to the actual situation of various types of non-performing loans, we adopt the following conventional measures for disposal.

- *Enhance corporate repayment capability.* For enterprises that are poorly managed and temporarily have difficulty repaying loans, we may assist the companies to strengthen management, promote sales, reduce unreasonable expenditures, and enhance their ability to repay loans.

- *Increase credit input.* For non-performing loans formed due to insufficient credit input, insufficient funds for corporate production and operation, or gaps in project construction funds, we may increase new credit inputs to turn the enterprise's production and operation or project construction to normal, thereby improving the enterprise's economic efficiency and the ability to repay the principal and pay interest, if we assess that the enterprise's operation or project has good prospect.

- *Adjust the guarantee method.* For non-performing loans without guarantees or insufficient original guarantees, we may reduce the possibility and degree of credit asset losses by increasing guarantees or changing the method and amount of guarantees.

- *Corporate asset reorganization.* We implement deal with non-performing credit assets through asset reorganization measures such as mergers, acquisitions, customerships, joint ventures, and consolidations of companies.

- *Legal means.* We protect and recover claims through arbitration, litigation, and enforcement according to law, and effectively preserve credit assets by relying on legal means.

- *Loan for collateral.* We obtain the property ownership of the customers through negotiation or legal litigation to compensate for non-performing credit assets.

- *Write-off.* For credit assets that are indeed irrecoverable, we review and determine them according to relevant regulations and offset them after applying for approval from the finance or tax department, and we continue to pursue debtors under the management of write-off cases.

Transfer of Non-performing Loans

We may transfer out non-performing loans to enhance recovery efficiency and reduce recovery costs in cases where conventional measures for disposal do not suffice for effective and timely recovery of non-performing loans. We abide by the principle of fairness in transfer of our non-performing loans and adopt the same transfer procedures for all types of transferees.

The transfers of our non-performing loans are initiated by our Bank and follow the typical procedures including:

- *Due diligence on non-performing loans to be transferred out.* Once the transfer of certain non-performing loans is initiated, we designate investigation personnel to investigate relevant non-performing loans by means such as documentary review and on-site visit, so as to analyze and evaluate the actual and potential impairment on the non-performing loans.

- *Pricing proposal for the transfer.* Our branch and sub-branches are responsible to advise forecast on the recovery of non-performing loans based on the due diligence procedures and propose a transfer price with reference to the value of the non-performing loans, as well as quoted price from intended transferees, taking into account various factors such as market conditions and category of non-performing loans.

- *Formation, review and approval on the transfer plan.* The due diligence report and pricing proposal formulated by our branch and sub-branches shall be reviewed and signed by the responsible principal and be submitted to the Asset Preservation Department and the Risk Management Department of our Bank for review and formation of detailed transfer plan. The transfer plan shall be approved by the Risk Management Committee and the responsible principal of our Bank.

- *Implementation of the transfer.* We may transfer the non-performing loans by way of auction, public tender, invited tender or negotiation and execute asset transfer agreements with transferees.

- *Reporting to competent authorities.* We report the transfer of non-performing loans to regulatory authorities according to requirements of applicable laws and regulations.

Credit Risk Management for Risk Exposure Related to LGFVs

We impose strict control on our credit extension to LGFVs. We strengthen our risk management by limiting the total amount of credit extension for LGFVs and optimizing our assets structure. We strictly control the credit extension to customers on the LGFVs list.

We closely monitor the progress of the project financed by the LGFV, review the LGFV's financial and operational status, place significant emphasis on assessing the feasibility of related projects to sustain themselves financially and operationally on the market without relying heavily on external supports. We conduct quarterly on-site inspections of related projects. We require our business departments to review the purpose of borrowing, thoroughly verify the compliance, legality and completeness of self-raised funds and project procedures. Under the premise of ensuring the availability of self-raised funds and compliance with prescribed capital-to-loan ratios, we make sure that credit funds are utilized based on project progress. The disbursement of loans should align with the actual usage, with funds allocated for specific purposes. We review credit conditions and procedures and establish a project loan fund utilization ledger to ensure the authenticity of the usage and prevent misappropriation of credit funds.

Credit Risk Management for Risk Exposure Related to Real Estate Industries

We extend real estate development loans in accordance with national guidelines and policies for real estate development, relevant laws and regulations, and our internal policies. Our real estate industry loans encompass loans related to real estate development, property development, sales and other related activities. These primarily include land reserve loans and real estate development loans. To expand retail business and in accordance with regulatory requirements for real estate loans, we adhered to a prudent real estate loan policy. For our real estate development loans, we only extend credit to the borrowers who have obtained all necessary government approvals, permits and certificates and have good credit record. We require borrowers to provide sufficient and valid collateral and implement strict closed-loop management of project construction and sales funds. This ensures that the loan funds disbursed by our Bank are used in strict accordance to the project plan, managed through designated accounts and utilized solely for their intended purpose. We also mandate developers to establish a sales fund supervision account with our Bank to deposit and manage specifically the proceeds from property sales. All project sales and pre-sale revenue is directed into the supervision account with our Bank, facilitating the effective monitoring of the borrower's use of project sales funds. We prohibit credit extension to real estate development projects (i) which are significantly overpriced compared to similar properties; (ii) where the construction is deliberately delayed or suspended, (iii) the land reserve of which has remained idle for a long period of time; (iv) the capital of which is inadequate or inauthentic; and (v) that are restricted under relevant national government policies, industry policies or macro-control policies.

Credit Risk Management of Personal Loans

Our credit risk management procedures for personal loans include pre-loan investigation, pre-loan review, credit approval, loan control and post-disbursement management.

Pre-loan Investigations

Upon receipt of a personal loan application, we conduct an investigation on the personal credit use and the borrower's creditworthiness.

Personal Credit Use Investigation

Our personal consumer credit must have a clear consumption contract or agreement, and the loan purpose must be consistent with the consumption behavior stipulated in the consumption contract. The investigation of personal business credit business is consistent with the investigation standards of corporate credit business.

Borrower's Credit Investigation

We conduct investigations on the borrower's subject qualification, family income and expenditure situation, and debt repayment capability. We focus on judging whether the borrower has full civil capacity and verify the borrower's age, occupation and health, among others. Through the review of the income proof materials submitted by the borrower, telephone inquiry and interviews with the borrower, we verify the borrower's family income situation in accordance with the prudent principle, investigate and analyze the borrower's family expenditure situation, and determine the borrower's debt-bearing capacity. In addition, we also examine and analyze the main factors affecting the borrower's expected debt repayment capability, investigate and verify the borrower's bank debt situation, whether the borrower's credit record is good, whether the borrower's occupation is stable, whether the borrower's consumption and repayment capability match, whether the borrower's repayment intention is strong, and whether the borrower's conduct is decent.

Pre-loan Review and Credit Approval

We usually determine the credit review and approval authority of our departments according to the amount of the product to be approved. We regularly adjust the authorization standards and structure based on changes in local markets, geographical locations of branch and sub-branches, and changes in various factors affecting our business, such as the nature and specifications of related collateral. The pre-loan review and credit approval process for personal loans is generally similar to our corporate loans.

Loan Issuance Management

The loan issuance process for personal loans is generally similar to our corporate loans. After approving the personal loan application, the bank signs a loan agreement and other subsidiary agreements with the borrower. The bank only disburses funds to individual customers after all the prerequisites specified in the relevant credit approval and agreement have been met. For loans guaranteed by collateral, the bank only issues the loan after the completion of the related guarantee procedures or the evaluation of the collateral. As to individual mortgage loans, we put an emphasis on the property quality and prioritize properties developed by local high-quality real estate enterprises.

Post-disbursement Management

We carry out post-disbursement inspections on personal business loans of more than RMB500,000 per account in accordance with the requirements for post-disbursement inspections of corporate customers. For personal consumption loans and personal business loans of less than RMB500,000 per account, we adopt an overdue loan inspection system and a quarterly random inspection system, but all loans must be inspected within the year. For individual customers who can repay the principal and interest on time, we no longer conduct regular post-disbursement inspections, and instead monitor the customer's instalment repayment and interest payment records and replace daily regular inspections with a quarterly random inspection system. For loans that are not repaid on time, we implement an overdue loan inspection system. Our risk monitoring and early warning for personal loans, due and collection management, loan classification, and non-performing asset management are similar to our corporate loans.

Credit Risk Management for Off-Balance Sheet Commitments

Our off-balance sheet commitments primarily consisted of letters of guarantee and bank acceptances. For details our off-balance sheet commitments during the Track Record Period, see "Financial Information – Off-Balance Sheet Commitments."

We endeavor to ensure that our credit risk management for off-balance sheet commitments is held to a standard similar to that for our loan businesses. We review the transaction background of this type of business and verify the authenticity of the underlying materials and trading documents. We also implement internal procedures to ensure that no transaction prohibited by the currently effective laws and regulations will be approved.

Specifically, we have taken the following measures to enhance our management of credit risks arising from off-balance sheet commitments:

- *Establishing comprehensive risk management system*. We have formulated Yibin City Commercial Bank's Risk Management Measures for Off-balance Sheet Business (《宜賓市商業銀行表外業務風險管理辦法》), which provides comprehensive management measures for the risks arising from off-balance sheet commitments, such as credit risk, market risk and liquidity risk, enabling us to identify, assess, monitor, report and mitigate relevant risks timely;

- *Establishing standardized and detailed operational procedures*. In respect of letters of guarantee business, we have formulated Yibin City Commercial Bank's Management Measures for Tender Guarantee Business (《宜賓市商業銀行投標保函業務管理辦法》) and Yibin City Commercial Bank's Management Measures for Electronic Tender Guarantee Business (《宜賓市商業銀行電子投標保函業務管理辦法》), and strictly control the admission, approval and issuance of letters of guarantee. In respect of bank acceptances business, we have formulated Yibin City Commercial Bank's Management Measures for Electronic Commercial Bank Acceptance Business (《宜賓市商業銀行電子商業銀行匯票業務管理辦法》) in accordance with relevant laws and regulations, which stipulates strict management measures for the whole process. We strengthen the authenticity verification of customers' identity and transactions, and establish an abnormal and suspicious transactions monitoring mechanism;

- *Formulating a unified credit and limit management mechanism*. We incorporate off-balance-sheet business into our unified credit management, and adopt unified credit policy, process, limit and concentration management for both on- and off-balance-sheet business; and

- *Implementing strict risk classification and adequate allowances for impairment losses*. For off-balance-sheet business, we classify the risk in accordance with the relevant regulations on risk classification of financial assets. In addition, we make dynamic adjustments as well as adequate allowances for impairment losses on off-balance sheet commitments based on a customer's performance ability and the changes in the risk of the financial assets.

Credit Risk Management of Our Financial Market Business

Our financial market business faces credit risks from interbank market transactions and our debt securities investment and SPV investments.

Interbank Market Transaction Risk Management

We have set a total credit limit for domestic banks and non-bank financial institutions we deal with, and conduct a comprehensive compliance review of credit applications from interbank customers. When reviewing and approving interbank credits, we consider several factors, including the qualification of interbank customers and the type, term, and amount of credit. We regularly assess our interbank customers' capital strength, business operations, financial condition, regulatory compliance, proposed cooperation with others, risk events, and other external factors that may affect their ability to fulfill contract obligations. Regular evaluations of customers allow us to identify potential risk warning signals and adjust interbank credit limits in a timely manner. At the same time, we maintain strict eligibility standards for counterparties. We only cooperate with counterparties that have reliable qualifications, good reputation, and excellent performance.

Credit Risk Management of Debt Securities Investment and SPV Investment

We have implemented several specific risk management measures to control the risks associated with different types of investments.

Our investment policies and strategies are grounded in a set of core objectives and principles aimed at balancing asset liquidity, safety, and yield. The foundational goal of our financial market operations is to ensure that asset allocation adheres to the principle of prioritizing liquidity and safety while tightening credit risk control standards. We enhance our investment standards and allocation strategies by considering a number of factors, including specific asset categories, financing entities, geographical dimensions, regulatory indicators, asset-liability management objectives, and profitability to ensure a balanced and risk-mitigated investment approach. Strategically, our financial market business is primarily focused on asset allocation, with trading serving as a secondary focus. We strictly control the duration of the trading portfolio, aiming to keep market risk at a controllable level. This approach ensures that our investment activities align with our risk tolerance and financial objectives, while also complying with regulatory requirements.

We have implemented comprehensive internal control measures to manage risks associated with our financial investments, including:

(i) *Multi-level approval*: our investment decisions are subject to a multi-level approval process. The process is initiated by traders and subsequently reviewed by reviewers, risk management personnel, and authorized personnel in sequence. This layered approval mechanism ensures that every investment decision is thoroughly vetted and aligns with our risk tolerance and investment objectives;

(ii) *Market monitoring*: We closely monitor market conditions post-investment. In the event of unfavorable changes in asset prices or benchmark interest rates, we promptly adjust our investment strategy to mitigate risks and optimize returns;

(iii) *Investment decision procedures*: Our investments in SPVs are made based on factors such as investment orientation and preferences, market conditions, and other factors, including the yield, maturity date, risk, and liquidity conditions of such investments to ensure they align with our strategic objectives and risk parameters; and

(iv) *Post-investment management*: We adopt strict post-investment management policies to control individual risks associated with different types of SPV investments, which ensures that our investments undergo rigorous assessment and continuous monitoring.

Our Bank has demonstrated extensive expertise in the area of financial market operations. In particular, our financial market department operates as a specialized department on interbank businesses, characterized by a short decision-making radius and high timeliness. This means our team is able to make quick and effective decisions, which is crucial in the fast-paced financial market environment. In addition, as a direct connection institution in the interbank market, our bank has the advantage of faster settlement times. This not only improves our operational efficiency but also enhances our ability to respond swiftly to market changes.

In terms of management structure, the Board of Directors reviews the annual development plan for the financial market business, and grants certain authority to the president of the head office, including the management of daily business operations and investment and financing business. The president of the head office further delegates certain business authority to the Financial Market Business Department. Any business activities that exceed the authority at each level are reported and approved according to the scope of authority.

Upon the Listing, we will strictly comply with relevant requirements under Chapter 14 of the Listing Rules, including announcement, circular, obtaining board approvals and/or shareholders approvals (as required) if any investment constitutes a notifiable transaction under Chapter 14 and triggers the above requirements.

Debt Securities Investments

We manage credit risks associated with debt securities investments in accordance with the principle of prudence. Our debt securities investment abides by the principle of “improving the efficiency of capital utilization while ensuring the liquidity and security of asset portfolios.” In terms of underlying financial assets, we primarily invest in fixed rate bonds such as treasury bonds and policy financial bonds with high level of liquidity and safety. During the Track Record Period, we also invested in debt securities issued by enterprises in the real estate industry. We only invest in the debt securities of enterprises that have obtained regulatory approval and have the qualification to publicly issue bonds. These enterprises should also possess credit rating reports from qualified rating agencies and have a good credit record. We prohibit investment in (i) enterprises with negative outlooks or downgraded credit ratings, (ii) issuers whose secondary market bond prices have significantly decreased, (iii) debt securities with unclear or policy-violating usage of proceeds, and (iv) real estate enterprises restricted by relevant national government policies, industry policies, or macroeconomic control policies.

We strictly control the proportion of debenture bonds in our asset allocation, and prioritize debt securities issuers in the Chengdu-Chongqing Dual-city Economic Circle to effectively manage and control our credit risks. Our branch network located in Sichuan Province enables us to handily conduct onsite inspection on debt securities issuers in Chengdu-Chongqing Dual-city Economic Circle to assess their credit status on an ongoing basis, thereby facilitating our strategic adjustment in debt securities investment from time to time.

SPV Investments

In order to effectively prevent and control credit risk, interest rate risk, liquidity risk, compliance risk, and operational risk faced by SPV investments, we have set up a comprehensive risk management system for SPV investments. Our SPV investments are made based on investment preference and appetite, market conditions and other factors, and investment decisions are made taking into account the yield, maturity, risk and liquidity profiles of these investments. We categorize SPV investments into A and B classes according to the management authority of the underlying asset manager and the category of underlying assets. Class A SPV investments have proactive management authority from the underlying asset manager and non-standard assets and standardized debt assets as underlying assets. Class B SPV investments have passive management authority from the underlying asset manager and non-standard assets as underlying assets. The main process of Class A SPV business includes initiation, interbank investment decision committee review, audits by the risk management department, approval, investment, and post-investment management. The main process of Class B SPV business includes initiation, underlying asset risk review, interbank investment decision committee review, business approval, investment, and post-investment management.

The departments responsible for the prevention and control of SPV investment risks include, among others, the credit business risk review committee, interbank investment decision committee, financial market department, business initiation unit, business development department, accounting management department, planning and finance department, risk management department, compliance management department, internal audit department.

- The credit business risk review committee is primarily responsible for conducting credit risk review on the underlying assets of Class B investments in accordance with the credit business risk review rules.

- The interbank investment decision committee is primarily responsible for reviewing the risks, transaction structures and investment plans of Class A SPV investments and Class B SPV investments approved by the credit business risk review committee, forming collective resolutions and providing reference opinions for the headquarters' authorized approvers to make decisions and approve investment business.

- The financial market department is primarily responsible for formulating the management measures on such investments, actively conducting business, assisting business initiation unit in formulating Class B SPV investment plans reviewed and approved by the underlying asset credit business risk review committee, entering them into the system, establishing ledger, regularly verifying, and initiation or completing emergency response processes when there are obvious risk hazards in reinvestment.

- The initiation unit of Class B SPV investments is primarily responsible for conducting due diligence on the projects in accordance with the credit business management rules, writing investigation reports, submitting them to the credit business risk review committee for review, forming investment plans, and submitting them for approval level by level, completing subsequent management work, assisting in completing the emergency response process for investments with risk hazards, sending statistical information at the prescribed frequency, and responsible for the subsequent work of relevant file management.

- The business development department is primarily responsible for coordinating the overall category and structure of Class B, directing the marketing and reserves of the headquarters business unit and branch and sub-branch offices, and managing the credit concentration of fund users.

- The accounting management department is responsible for accounting and fund receipt and payment of investments based on the approval documents provided by the business department.

- The planning and finance department is responsible for monitoring the liquidity and capital adequacy status, and evaluating the impact of the annual investment plan on our liquidity and other regulatory indicators.

- The risk management department is responsible for reviewing investment business risks and monitoring their operational status.

- The compliance management department is responsible for compliance management on investments, reviewing relevant legal documents and issuing review opinions.

- The internal audit department is responsible for conducting independent internal audit of investments, carrying out independent inspection and supervision on the compliance of implementation of internal control system and operational procedures by relevant departments and personnel and the integrity of data and ledgers, and promptly reporting audit results.

We have also established business management rules, operational procedures, risk management and emergency response measures for SPV investments, and actively take effective measures to reduce investment risks.

MARKET RISK MANAGEMENT

Market risk refers to the risk of losses to our on-balance-sheet or off-balance-sheet business due to adverse changes in market prices, namely interest rates, exchange rates, stock prices, and commodity prices. The primary market risk we face is interest rate risk. Among these, the trading book interest rate risk refers to the risk of losses due to adverse changes in the interest rates of financial instruments in the trading book. Banking book interest rate risk refers to the risk of economic value and overall income losses in the banking book due to adverse changes in interest rate levels, and term structure, among others, mainly including gap risk, basis risk, and optionality risk.

We have established a comprehensive market risk management system covering the Board of Directors, Board of Supervisors, senior management, the comprehensive risk management committee under the senior management, and various business departments, including the risk management department, planning finance department, internal audit department, and other departments responsible for related business risk management.

Interest Rate Risk

Interest rate risk mainly stems from the current interest rate volatility and mismatch in the repricing dates or maturity dates of interest rate-sensitive on-balance-sheet and off-balance-sheet assets and liabilities, which may lead to a reduction in net interest income and asset values. In recent years, the Chinese government has gradually liberalized interest rates. For details, see "Regulatory Overview – Pricing of Products and Services." As a result of interest rate liberalization, the way interest rates fluctuate is gradually shifting from policy-driven to market-driven, leading to more uncertainty.

Impact on Deposits and Loans

Changes in interest rates mainly affect our interest rate spread and loan values, which influence deposits and loans. As the interest rate spread is a primary source of our operating profit, adjustments to the benchmark deposit and loan interest rates by the PBoC, along with corresponding changes in market interest rates, will impact our income structure and profitability. Especially for fixed-rate businesses, changes in interest rates may cause customers to change their decisions. If interest rates rise, deposit customers may withdraw their deposits early and redeposit to obtain higher deposit rates, which would increase our interest expenditure. If interest rates drop, our loan customers may repay their loans early and reapply for new loans with lower interest rates, thereby reducing our interest income.

Impact on Debt Securities Investments and SPV Investments

The volatility of bond and financial asset market prices is related to changes in benchmark interest rates and market expectations for future interest rates. Market trends in recent years show that when investors expect an increase in benchmark market interest rates or market interest rates, the valuation of investments in bonds, trust plans, and asset management plans generally decrease. Thus, rising interest rates may lead to a reduction in the valuation of existing assets and affect our profitability. On the other hand, higher interest rates may also lead to tighter liquidity, which could increase the cost of investment funds for bonds, trust plans, asset management plans, and wealth management products. Given the uncertainty regarding future market interest rate changes, our investment value may decline due to incorrect judgments in investment decisions based on our expectations for future market interest rates.

In order to manage the market risks in our financial market businesses, we set a market risk limits for trading accounts and constantly monitor the market value of the underlying assets of our financial investments. We formulate individualized handling plans for any underlying assets of high volatility. Our operational departments report to the Risk Management Committee on the trading activities and appraisal value of our trading accounts on a quarterly basis and analyze reasons for any material fluctuations.

We have established and implemented a stop-loss mechanism for investment in interest rate bonds in trading book based on their remaining maturities. During the Track Record Period, such stop-loss mechanism was not triggered. In addition, we strategically scaled down our investments through SPVs other than mutual funds in line with the recent market trends during the Track Record Period, and strive to continuously optimize our investment profile to be resilient to market risks.

Interest Rate Risk Management

Our regular interest rate risk management activities include identifying, measuring, supervising, and controlling market risks. We use the standard method to measure trading book interest rate risk and use tools like Wind to measure market value, duration, portfolio duration, risk value, profit and loss, and other indicators of trading book assets. For banking book interest rate risk, we measure it using the interest rate sensitivity gap analysis method. We also use other methods such as stress testing to supplement our measurement of market risk, assessing our loss-bearing capacity under extremely adverse conditions.

Through strict limit management, we control the level of trading book interest rate risk within tolerable ranges by hedging and reducing risk exposure. For banking book interest rate risk, we actively adjust the asset-liability structure based on reasonable forecasts of market interest rate changes, alter the interest rate sensitivity gap, and reduce the risk caused by interest rate changes. We are gradually expanding banking book interest rate risk management strategies, mainly through internal management strategies such as limit control, fund transfer pricing guidance, and portfolio optimization, to optimize the interest rate structure of our assets and liabilities, effectively mitigating the impact of interest rate fluctuations on our interest spread income and economic value. Our various business departments propose annual limit management plans and excess handling mechanisms based on annual business plans. After initial review by the risk management department, these are submitted to senior management and the Board of Directors for review and approval.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk that we cannot obtain sufficient funds at a reasonable cost in a timely manner to repay due debts, fulfill other payment obligations, and meet other capital requirements for normal business operations. The goal of our liquidity risk management is to control liquidity risk within a range that we can tolerate through the establishment of a scientific liquidity risk management mechanism. By doing so, we balance the effectiveness and safety of our funds, promoting our continuous and healthy operation.

We adopt a relatively centralized management model for liquidity risk management. While ensuring effective control of the overall level of liquidity risk, we also effectively identify, measure, monitor, and control the liquidity levels of our branch, sub-branches, subsidiaries, and business lines, ensuring compliance with all relevant liquidity risk regulatory requirements. Our head office is responsible for formulating uniform liquidity risk management policies and limits. Trading strategies and specific transaction behaviors must be implemented after approval by the authorized approver. Each branch or sub-branch manages liquidity risk under a unified policy and limit system. The liquidity risk management work of our branch and sub-branches is under the unified leadership, management, and supervision of the head office. The liquidity risk management of the rural banks invested in by us is also included in our liquidity risk management scope.

We identify liquidity risks by monitoring changes in internal and external information and factors that affect liquidity. The internal liquidity risk factors include liquidity status, the stability of fund sources, and asset liquidity. External liquidity risks include changes in macroeconomic policies, monetary policies and foreign exchange policies. We mainly use liquidity risk indicators and cash flow analysis methods to measure and evaluate liquidity risks, and use stress tests for liquidity risk assessment and management.

We monitor liquidity risks regularly and irregularly. Our liquidity risk monitoring mainly includes risk identification factors monitoring, fund positions monitoring, large fund flow monitoring, deposit and loan monitoring, liquidity risk indicator monitoring, liquidity gap monitoring, fund market monitoring, and external macroeconomic and environmental monitoring. Depending on the content of monitoring, our detection frequencies are divided into real-time monitoring, daily monitoring, ten-day monitoring, monthly monitoring, and quarterly monitoring.

We manage liquidity risk mainly through the following measures.

- Implementing strict daytime management of fund positions and fund flows.

- Gradually implementing limit management for liquidity risk and continuously improving the limit system that combines timely early warnings and rigid controls. Liquidity risk limit management indicators include the concentration limit of assets and liabilities, liquidity risk indicator limit, cash flow gap limit, and internal transaction limit of the Group.

- Gradually establishing layered liquidity reserves according to our liquidity status and business development situation, and timely organizing evaluations of the realization ability of high-quality liquid assets.

- Fully assessing the possible impact on liquidity risk in feasibility studies before introducing new products, new businesses, and establishing new institutions.

- Developing liquidity risk emergency plans to ensure liquidity needs in emergencies. If potential liquidity risk occurs, we will take measures according to the severity of the situation.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, employees, information systems, or external events. The operational risks faced by us mainly include internal and external fraud, employee violations, security incidents, security failures, business interruptions, information system failures, and transaction execution, delivery, and business process management defects.

Principles of Our Operational Risk Management

We adhere to the Commercial Bank Operational Risk Management Guidelines (《商业银行操作风险管理指引》) published by the former CBRC and formulate our operational risk management policies. Our operational risk management follows these key principles: (i) effectiveness, which requires the bank to fully implement the operational risk management policy, and all employees comply with internal control measures; (ii) integrity, which requires our operational risk management to cover all processes of each department's employees and business operations; and (iii) prudence, which requires the bank to prioritize internal controls and risk prevention when carrying out new business activities.

Three Lines of Defense

The Board of Directors bears the ultimate responsibility for our operational risk management, and senior management leads our daily operational risk management. We have established the following "three lines of defense" to manage operational risk. Our head office, branch, sub-branches, and business departments are the first line of defence against operational risk, bearing direct responsibility for preventing and controlling their operational risk, and continuously strengthening the overall linkage of operational risk prevention. The compliance management department and the risk management department is the second line of defence for operational risk management, responsible for the establishment and implementation of our operational risk management system. The internal audit department is the third line of defence for operational risk management, responsible for regularly checking and evaluating the operation of our operational risk management system, supervising the execution of operational risk management policies, and independently evaluating newly introduced operational risk management policies, procedures, and specific operational procedures.

Standardized Management of Systems and Business Processes

We continuously optimize systems and business processes and conduct control point checks and supervision. Our head office, branch and sub-branches have a set of operational risk management mechanisms covering our business processes. For example, we have a set of operational guidelines covering the entire business processes for each of our business area. These processes include credit review and approval, loan issuance, and post-disbursement management. We provide continuous training to enhance employee skills and requires all employees to strictly adhere to these operating processes in their daily work.

All departments of the head office should check against regulatory systems, and in conjunction with our business operations and management activities and operational risk points summarized in daily supervision and inspection, comb through the implemented systems, methods, regulations, and business operating procedures, supplement system defects item by item, timely discover and effectively plug system loopholes, ensure that the system covers all business areas and management links, and ensure that the system adapts to the needs of product and business innovation.

Standardized Supervision and Inspection Mechanism

We carry out in-depth supervision and inspection, incorporating operational risk special on-site inspections into the annual on-site inspection and supervision unified plan. We require the management departments, compliance management departments, risk management departments, and internal audit departments of our various business lines to carry out operational risk investigations in various ways such as surprise inspections, reasonably set the coverage, extension requirements, and working methods of surprise inspections, and strengthen the supervision and inspection of risks for key links such as counter operation, mobile banking, bank card business, bill business, interbank transaction, administrative seal management, abnormal mobility of practitioners, and management of business and office locations. For all identified issues, we form an "inspection + rectification + accountability" linkage mechanism to avoid the cause of the violation not being thoroughly analyzed, the responsible person not being held accountable seriously, and the rectification measures not being in place, so as to maximize the strengthening of management and enhance the execution of the system.

INFORMATION TECHNOLOGY RISK MANAGEMENT

Information technology risk refers to operational, reputational, legal, and other risks that we face in the process of using information technology. We have set up the risk management department and the information technology department at our head office to manage our information technology risk. We strive to identify, assess, and monitor information technology risks by formulating effective mechanisms. We are committed to continuously improving our information technology infrastructure and ensuring that our information technology management meets relevant national standards and regulatory requirements. We aim to strengthen our ability to prevent information technology risks and enhance our overall information technology risk management ability by developing and innovating our information technology risk management.

We have established a comprehensive information security organization structure, covering various aspects of security management, such as employees, system construction, system operation and maintenance, and terminal equipment. To ensure the security of information technology, we have employed professionals to supervise information security and formulated a series of information security management measures to prevent unauthorized network intrusion, attack, data leakage, or third-party tampering with our information system. We also ensure the security of our information system through various technologies such as encryption, antivirus software, and firewalls, and continuously upgrade these technologies to enhance our information security. In addition, we have formulated standardized information security risk monitoring and assessment mechanisms to regularly conduct internal and external information security risk assessments and handle any issues that need follow-up in a timely manner.

Outsourcing Governance

While outsourcing certain information technology activities to third-party service providers, we insist on the principle of not outsourcing information technology management responsibilities and network security entity responsibilities, and adhere to the guideline of not hindering the construction of core capabilities and mastering key technologies, as to maintain a balance of outsourcing risks, costs and benefits, and to ensure network security, important data and personal information security. We emphasize pre-control and in-process supervision, and continuously improve outsourcing strategies and risk management measures. We incorporate information technology outsourcing risk management into our comprehensive risk management system and establish an outsourcing management system suitable for our strategic objectives, effectively controlling and reducing risks caused by outsourcing. We have established an organizational structure for information technology outsourcing and risk management, consisting of the Board of the Directors, senior management, information technology outsourcing risk management department and information technology outsourcing execution team. We have formulated the admission rules for information outsourcing, monitored and evaluated outsourcing services, established and continuously improved risk management systems and processes for information technology outsourcing, and reported to the relevant banking regulatory authorities under specified circumstances.

Key Information Technology Risk Indicators

We have strengthened the monitoring and management of key risk indicators in information technology, effectively monitoring and warning risks, and taking preventive measures in a timely manner. With the risk management department and information technology department at our head office as main responsible departments and each functional department collaborating closely, we ensure the normal operation of key information technology risk indicators. The risk management department at our head office is primarily responsible for formulating technical standards and designing process for key risk indicators, organizing relevant departments to implement, summarize and analyze data on key risk indicators, organizing and evaluating indicator-based major action plans, and regularly submitting monitoring and analysis reports on key risk indicators to the senior management. The information technology department at our head office is responsible for designing and updating key risk indicators for information technology according to the requirements of the risk management department, carrying out daily monitoring of key risk indicators, formulating execution plans based on specific situations, and regularly reporting the monitoring status of key risk indicators to the risk management department at our head office.

REPUTATIONAL RISK MANAGEMENT

Reputational risk refers to the risk of negative publicity concerning us caused by our operations, management, and other actions or external events. We have established an effective reputational risk management mechanism to monitor, identify, report, control, and evaluate our reputational risks, manage the entire process of our reputational risk crisis handling, and minimize any loss and negative impact on us caused by related events.

We have established a reputational risk prevention and control system that includes public opinion monitoring, disposal, and emergency response plans. The management responsibilities of the lead management department for reputational risk management, various departments, branch and sub-branches are clarified, and a graded reporting and disposal process has been established. We implement a 7×24-hour public opinion monitoring system, thus handling customer complaints in a timely manner, regularly conducting hidden reputational risk investigations, and implementing rectification measures. In addition, we have developed a public opinion response plan based on common reputational events in the banking industry and implemented a "one policy for one event" control strategy, thus strengthening the analysis and evaluation of reputational events, and properly addressing these events based on relevant disseminating channels and event attributes.

COMPLIANCE RISK MANAGEMENT

Compliance risk refers to the risk of any legal sanctions, regulatory penalties, significant financial loss, and reputational damage due to the failure to comply with any applicable laws, regulations, and rules. The goal of our compliance risk management is to establish a sound compliance management system to effectively manage compliance risks, ensuring business and management activities are in continuous compliance with laws, rules, guidelines, and internal regulations, to cultivate a progressive compliance culture, a robust, long-term compliance mechanism, to strengthen core competitiveness, and to promote the realization of our strategic goals.

The Board of Directors bears the ultimate responsibility for our business and management activities' compliance with relevant applicable laws and regulations. Our senior management is responsible for formulating compliance policies, while the compliance management department at the head office and risk management personnel at branch and sub-branches assist the senior management in the specific management of our compliance risk. Each business line and operating organization assumes primary responsibility for managing the compliance risk and adhering to applicable laws and regulations of their respective lines or organizations.

We have established a "three lines of defense" model for compliance risk management. The first line of defense is composed of various business departments responsible for the operation and management of various business lines, which are responsible for compliance risk management within their respective departments and business lines. The second line of defense includes our compliance management department and risk management department. The third line of defense is our internal audit department, responsible for auditing the performance and effectiveness of the first and second lines of defense and promptly identifying and correcting any issues related to compliance risk management.

We primarily manage the compliance risk through the following measures:

- We establish a comprehensive process for compliance management, constructing management tools and methods covering all aspects from external regulation internalization, internal regulation construction, compliance execution, and compliance supervision accountability. This realizes full coverage of operational and management activities, emphasizes key areas of compliance management, strengthens compliance reporting, and effectively promotes our compliant operations.

- We strengthen decision-making in accordance with regulations, and strictly follow the prescribed procedures and processes when formulating development strategies, annual operation plans, and other significant matters. This thoroughly implements legal, rule, and guideline requirements and scientifically grasps the relationship between business, compliance, and profit.

- We enhance compliance risk management by adopting a combination of qualitative and quantitative methods. We identify and assess compliance risks associated with operational and management activities, clarify the focus of compliance management, and propose and implement compliance management measures.

- We establish a compliance supervision and evaluation system, to conduct compliance checks and evaluations on the operational and management activities of employees and various institutions. Through timely discovery and effective removal of compliance issues or potential compliance risks, we strengthen our compliant operations and compliance management.

- We strengthen compliance management by increasing employee training on legal compliance matters, thus fostering a compliance culture.

Specifically, we continue to improve the anti-money laundering and counter-terrorist financing compliance management structure. We have established a sound anti-money laundering organization under the responsibility of the Board of Directors and an effective supervision and evaluation mechanism for senior management's anti-money laundering duties. This strengthens the leadership and team building of anti-money laundering work, forming an anti-money laundering and counter-terrorist financing management system where the Board of Directors, the Board of Supervisors, senior management, and departments and institutions at all levels have distinct responsibilities and effectively coordinate.

We have formulated numerous key internal anti-money laundering policies and procedures related to customer due diligence, transaction record-keeping, suspected terrorist financing, anti-money laundering categorization, and large-value and suspicious transaction reporting. According to applicable laws and regulations and our internal policies, we systematically carry out customer due diligence and collect related information and transaction records. We have established an anti-money laundering system that enables us to effectively identify, assess, monitor, control, and report anti-money laundering risks. We continue to optimize this system and improve the model for identifying suspicious transactions to enhance our ability to report large-value and suspicious transactions.

INTERNAL AUDIT

We consider internal auditing to be of crucial importance for the sustainable development of our business operations. Our internal audit covers all of our business lines and institutions, adhering to principles of independence, objectivity, and impartiality. Through systematic supervision, evaluation, and consulting activities, auditing plays a critical role in standardizing rules, controlling risks, and promoting development.

We have established an independent and vertical internal auditing system. The internal audit department leads regular reviews and evaluations of the adequacy and effectiveness of comprehensive risk management, forming an internal audit report on comprehensive risk management. The internal audit department is accountable to and reports to the Board of Directors, subject to the guidance, assessment, and evaluation of the Board of Directors and the Audit Committee of the Board of Directors, subject to supervision from the Board of Supervisors, and regularly communicates audit situations to senior management.

We continuously strengthen audit supervision, highlight risk-oriented auditing, enhance risk information prediction, continuously promote equal emphasis on onsite and offsite supervision, earnestly carry out problem supervision and rectification, strictly handle violation accountability, and continually strengthen the role of internal audit in risk management, internal control, and corporate governance. We are risk-oriented, fully consider regulatory focus issues and national major policy requirements, and combine audit resource allocation to formulate annual audit plans. After deliberation by the Board of Directors, we strictly implement these plans. We conduct audit projects targeting various businesses and key risk areas. We urge rectification of problems discovered in audits and continuously promote standardized operations. We believe that the frequency, scope, and quality of our audit supervision meet regulatory requirements and the needs of our internal control management.

OVERVIEW

Upon Listing, transactions that our Group have entered into with our connected persons will constitute connected transactions of our Bank under Chapter 14A of the Listing Rules. We expect that such transactions will continue following the Listing, thereby constituting continuing connected transactions under the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We are a city commercial bank established in the PRC and regulated by the NAFR and PBoC. We provide commercial banking services and products in our ordinary and usual course of business to members of the public in the PRC, which include our connected persons (such as Directors, Supervisors, substantial Shareholders and/or their respective associates). Set forth below are details of connected transactions between us and our connected persons. These transactions are and will be entered into on normal commercial terms (or commercial terms that are better to us) in the ordinary and usual course of our business, and thus are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of Loans and Other Credit Facilities to Connected Persons

We extend loans and credit facilities (including but not limited to short-term loans, medium-and long-term loans, bank acceptance bill, guarantee and subscription of bonds) in the ordinary and usual course of our business to certain of our connected persons on normal commercial terms (or commercial terms that are better to us) with reference to the prevailing market interest rates. We expect that we will continue to provide loans and credit facilities to our connected persons from time to time after the Listing, which will constitute continuing connected transactions of our Bank under Chapter 14A of the Listing Rules.

As such loans and credit facilities provided or to be provided by us to our connected persons are in the ordinary and usual course of our business and on normal commercial terms (or commercial terms that are better to us), these transactions are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.87(1) of the Listing Rules.

Deposits by Connected Persons

We take deposits from certain of our connected persons in the ordinary and usual course of our business on normal commercial terms (or commercial terms that are better to us) with reference to the prevailing market interest rates. We expect that our connected persons will continue to place deposits with us from time to time after the Listing, which will constitute continuing connected transactions of our Bank under Chapter 14A of the Listing Rules.

As such deposits placed or to be placed by our connected persons are on normal commercial terms (or commercial terms that are better to us) and not secured by our assets, these transactions are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.90 of the Listing Rules.

Other Banking Services and Products

We also provide various commercial banking services and products, such as settlement services, bank card services, custodian services and entrusted loans, to certain of our connected persons, in the ordinary and usual course of our business on normal commercial terms (or commercial terms that are better to us) at normal fee standards. We expect that we will continue to provide such banking services and products to our connected persons from time to time following the Listing, which will constitute continuing connected transactions of our Bank under Chapter 14A of the Listing Rules.

As the provision of banking services and products to our connected persons are on normal commercial terms (or commercial terms that are better to us) and the highest applicable percentage ratio of such transactions, on an annual basis, are expected to be less than 0.1%, these transactions are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.76(1) of the Listing Rules.

BOARD OF DIRECTORS

Our Board consists of 11 Directors, including three executive Directors, four non-executive Directors and four independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years in accordance with the laws and regulations of the PRC.

The following table sets forth certain information regarding our Directors.

Name	Age	Position	Time of joining the Bank	Date of appointment as a Director	Principal roles and responsibilities
Executive Directors					
XUE Feng (薛峰)	48	Executive Director and Chairman	October 2019	December 25, 2020	Presiding over the overall operations of the Bank; in charge of the general affairs of the CPC Committee and Board of Directors; responsible for equity financing and strategic development of the Bank; chairman of the Strategy and Asset and Liability Management Committee of the Board, as well as member of the Nomination and Remuneration Committee of the Board of the Bank
YANG Xingwang (楊興旺)	50	Executive Director and president	December 2006	July 29, 2016	Responsible for the management of the Bank's business operations; organizing the implementation of the resolutions of the Board; reporting to the Board on the operation and management of the Bank; chairman of the Risk Management Committee of the Board, member of the Strategy and Asset and Liability Management Committee of the Board, and member of the Related Party Transactions Control Committee of the Board
XU Yong (許勇)	59	Executive Director	March 2018	December 25, 2019	Chairman of the Consumer Rights and Interests Protection Committee of the Board

Name	Age	Position	Time of joining the Bank	Date of appointment as a Director	Principal roles and responsibilities
Non-executive Directors					
JIANG Lin (蔣琳)	45	Non-executive Director	May 2023	September 27, 2023	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, member of the Strategy and Asset and Liability Management Committee, and member of the Nomination and Remuneration Committee of the Board
ZHAO Gen (趙根)	43	Non-executive Director	October 2020	October 16, 2020	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, member of the Strategy and Asset and Liability Management Committee, and member of the Consumer Rights and Interests Protection Committee of the Board
XIAO Yufeng (肖玉烽)	39	Non-executive Director	April 2021	April 9, 2021	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, member of the Strategy and Asset and Liability Management Committee, member of the Nomination and Remuneration Committee, and member of the Risk Management Committee of the Board
TIAN Tian (田甜)	36	Non-executive Director	March 2023	March 16, 2023	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, member of the Internal Control and Compliance Committee, and member of the Consumer Rights and Interests Protection Committee and member of the Audit Committee of the Board

Name	Age	Position	Time of joining the Bank	Date of appointment as a Director	Principal roles and responsibilities
Independent Non-executive Directors					
Zhao Jingmei (趙靜梅)	51	Independent non-executive Director	August 2024	August 1, 2024	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, providing independent opinions, chairman of the Internal Control and Compliance Committee, member of the Audit Committee, member of the Risk Management Committee, and member of the Nomination and Remuneration Committee of the Board
YAO Liming (姚黎明)	40	Independent non-executive Director	April 2021	April 9, 2021	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, providing independent opinions, chairman of the Related Party Transactions Control Committee, and member of the Nomination and Remuneration Committee of the Board
XING Huayu (邢華鈺)	46	Independent non-executive Director	May 2023	October 16, 2023	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, providing independent opinions, chairman of the Nomination and Remuneration Committee, member of the Strategy and Asset and Liability Management Committee, and member of the Risk Management Committee of the Board

Name	Age	Position	Time of joining the Bank	Date of appointment as a Director	Principal roles and responsibilities
YU Xiaoran (于瀟然)	45	Independent non-executive Director	May 2023	September 19, 2023	Participating in the formulation of major decisions such as strategic development and operations and management of the Bank, providing independent opinions, chairman of the Audit Committee, member of the Nomination and Remuneration Committee, and member of the Related Party Transactions Control Committee of the Board

Executive Directors

Mr. XUE Feng (薛峰), aged 48, is an executive Director and the Chairman of the Board of the Bank.

Mr. Xue worked as a staff member of Chengdu Minjiang Branch of China Construction Bank Corporation (中國建設銀行股份有限公司) ("**China Construction Bank**") from July 1999 to April 2000; served as section chief of the national settlement section, credit section and treasury section of national business department of Sichuan Branch of China Construction Bank from April 2000 to July 2011; served as the deputy general manager of the investment banking department of Sichuan Branch of China Construction Bank from July 2011 to April 2013; afterwards, he served as the general manager of the corporate banking department of Chengdu Branch of China Minsheng Banking Co., Ltd. (中國民生銀行股份有限公司) from April 2013 to September 2013; and served as the general manager, director, and chairman of the investment decision committee of Glory Industrial Investment Fund Management Co., Ltd. (國辰產業投資基金管理公司) from September 2013 to October 2019. Mr. Xue served as the Deputy Secretary of the Party Committee of the Bank from October 2019 to October 2022, acted as the president of the Bank from December 2019 to May 2020, and served as the president from May 2020 to October 2020. Mr. Xue has been the Chairman of the Bank since December 2020 and the Secretary of the Party Committee of the Bank since October 2022.

Mr. Xue obtained a bachelor's degree in economics, a master's degree in business administration, and a doctorate degree in economics (majoring in industrial economics) from Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC in July 1999, January 2005, and July 2010, respectively. Mr. Xue was awarded the honorary title of the third corporate and institutional business "Top 100 Account Managers" of China Construction Bank in August 2006; and was awarded the title of "Tianfu Qingcheng Plan Financial Talent (天府青城計劃金融英才)" by Sichuan Province Talent Work Leading Group Office (四川省人才工作領導小組辦公室) in 2021. Mr. Xue was awarded the title of senior economist by China Construction Bank in December 2008 and the title of senior economist by the Department of Human Resources and Social Security of Sichuan Province in July 2023.

Mr. YANG Xingwang (楊興旺), aged 50, is an executive Director and the president of the Bank.

Mr. Yang worked in Rural Credit Cooperative in Gong County, Yibin City (宜賓市城市信用社) from July 1991 to April 2000 and served as a cashier, accountant, credit officer, chief accountant, and branch manager; served as the deputy manager, Party Branch Secretary, and union chairman of Daguanlou Society of Yibin City Urban Credit Cooperative (宜賓市珙縣農村信用社) from April 2000 to July 2003; served as the deputy manager and Party Branch Secretary of Dashun Society of Yibin City Urban Credit Cooperative from July 2003 to December 2006; served as the president and Party Branch Secretary of the Bank's Dashun Branch from December 2006 to August 2009; served as the president, Secretary of the Party General Branch, and director of Longchang Xinglong Rural Bank Co., Ltd. (隆昌興隆村鎮銀行有限責任公司), the predecessor of Neijiang Xinglong Rural Bank, from August 2009 to December 2010; served as the president of the Bank's Neijiang Branch and vice chairman of the board of Neijiang Xinglong Rural Bank from December 2010 to January 2011; served as a member of the Party Committee of the Bank, president of the Bank's Neijiang Branch, Secretary of the Party General Branch, and vice chairman of the board of Neijiang Xinglong Rural Bank from January 2011 to July 2012; served as the general manager of the Bank's business department from July 2012 to October 2013; served as the vice president of the Bank from June 2014 to October 2020; served as the acting president of the Bank from October 2020 to December 2021. Mr. Yang has been serving as a member of the Party Committee of the Bank since July 2012. Mr. Yang has also served as the Deputy Secretary of the Party Committee since October 2020; served as a Director since July 2016; and served as the president of the Bank since December 2021.

Mr. Yang graduated from Southwestern University of Finance and Economics in Sichuan Province, the PRC in September 2004, majoring in finance (online education).

Mr. XU Yong (許勇), aged 59, is an executive Director of the Bank.

Mr. Xu served as a staff member of the office of Gong County Finance Bureau of Yibin City (宜賓市珙縣財政局) from August 1985 to March 1989; served as the deputy director of the comprehensive section of Gong County Finance Bureau of Yibin City from March 1989 to May 1991; served as a staff member in the comprehensive section and budget section of Yibin District Finance Bureau (宜賓地區財政局) from May 1991 to April 1994; served as a senior staff member of the budget section of Yibin District Finance Bureau from April 1994 to March 1995; served as the deputy section chief and principal staff member of the infrastructure investment section of Yibin District Finance Bureau from March 1995 to July 1998; served as the section chief of the comprehensive and reform section of Yibin Finance Bureau from July 1998 to January 2001; served as a member of the Party Group and deputy director of Yibin Finance Bureau from January 2001 to December 2011; served as a member of the Party Group of the Yibin Municipal Government Office (宜賓市政府辦) and director of the Finance Office of Yibin Municipal Government (宜賓市政府金融辦) from December 2011 to March 2018; served as Secretary of the Party Committee of the Bank from March 2018 to November 2020. Mr. Xu has served as a Director since December 2019.

Mr. Xu graduated from the Correspondence Institute of the Central Party School (中共中央黨校函授學院) in Beijing, the PRC, majoring in political science and law through correspondence studies in December 1999.

Non-executive Directors

Ms. JIANG Lin (蔣琳), aged 45, is a non-executive Director of the Bank.

Ms. Jiang served as a staff member of the Research Office of Chongqing Municipal Government (重慶市政府研究室) from July 2004 to March 2005; served as a staff member of the Political Research Office of the Chengdu Municipal Party Committee (成都市委政研室) from March 2005 to August 2005; served as a senior staff member of the Political Research Office of the Chengdu Municipal Party Committee from August 2005 to September 2007; served as principal staff member of the Economic Division of the Political Research Office of the Chengdu Municipal Party Committee from September 2007 to September 2011; served as the deputy director of the Economic Division of the Political Research Office of the Chengdu Municipal Party Committee from August 2011 to February 2012; served as the deputy director of the Capital Market Division of the Chengdu Financial Work Office (成都市金融工作辦公室) from February 2012 to March 2014; served as the director of the Capital Market Division of the Chengdu Financial Work Office from March 2014 to September 2016; served as the director and general manager of Tianfu International Fund Town (天府國際基金小鎮), and the deputy general manager of Wanchuang Investment Holdings Chengdu Co., Ltd. (萬創投資控股成都有限公司) from October 2016 to January 2019; served as a member of the Party Committee, deputy general manager and director of Sichuan Yibin Wuliangye Group Co., Ltd. (四川省宜賓五糧液集團有限公司) from January 2019 to February 2022; has served as a director of Wuliangye Yibin Co., Ltd. (宜賓五糧液股份有限公司) ("**Wuliangye**"), a company listed on the Shenzhen Stock Exchange (stock code: 000858), from June 2021 to September 2023; has served as a member of the Party Committee of Wuliangye and a deputy general manager from February 2022 to September 2023; and has served as a secretary to the board of Wuliangye from March 2022 to April 2024; has served as a member of the Party Committee of Sichuan Yibin Wuliangye Group Co., Ltd. (四川省宜賓五糧液集團有限公司) since April 2024; has served as a member and vice president of the Party Committee of the Bank since April 2024; Ms. Jiang was elected as a Director of the Bank by the Shareholder's general meeting in May 2023.

Ms. Jiang has served as a director of Sichuan Bank Co., Ltd. (四川銀行股份有限公司) ("**Sichuan Bank**") since November 2020, Ms. Jiang is primarily responsible for participating in the decision-making of Sichuan Bank and advising on corporate governance, compliance and risk management, and does not participate in its daily operation and management. On the other hand, (i) Ms. Jiang Lin also does not participate in the daily operation and management of the Bank; (ii) Ms. Jiang will abstain from voting at the meeting of the Board at which business and/or investment proposals related to Sichuan Bank are considered; and (iii) we have appointed four independent non-executive Directors, representing one-third of our Board members, to balance any potential conflicts of interest to protect the interests of the Bank and the Shareholders as a whole. Accordingly, Ms. Jiang's directorship in Sichuan Bank as a director does not and is unlikely to give rise to material competition or conflict of interest between Ms. Jiang and the Bank.

Ms. Jiang obtained a bachelor's degree in economics, a master's degree in economics, and a doctorate degree in economics (majoring in political economics) from the School of Economics of Sichuan University (四川大學) in Sichuan Province, the PRC in July 2001, June 2004, and June 2010, respectively. Ms. Jiang was named as "Yibin Financial Elite" (宜賓金融菁英) by the Talent Work Leading Group of Yibin Municipal Party Committee of the Communist Party of China (中共宜賓市委人才工作領導小組) and was listed in "2021 Yibin Talents Program (2021年度宜賓英才計劃); served as a council member of the 5th Council and vice president of the List Company Association of Sichuan in 2022; served as a council member of the 2nd Council and vice president of Sichuan Investment Fund Industry Association (四川省投資基金業協會), and the vice president of the Chengdu Modern Financial Industry Ecosphere Alliance (成都現代金融產業生態圈聯盟) in 2023.

Mr. ZHAO Gen (趙根), aged 43, is a non-executive Director of the Bank.

Mr. Zhao Gen served as an employee of the approval department of the Chengdu Rural Commercial Bank Co., Ltd. (成都農村商業銀行股份有限公司) ("**Chengdu Rural Commercial Bank**") in April 2010; served as the deputy director of the Wuhou Approval Center of Chengdu Rural Commercial Bank from May 2013 to July 2013; served as the director of the approval center of the sales department of the head office of Chengdu Rural Commercial Bank from July 2013 to January 2015; and served as the assistant to the general manager of the credit approval department of Chengdu Rural Commercial Bank from January 2015 to June 2015. Mr. Zhao served as the assistant to the general manager and director of the fixed income committee of JZ Securities Co., Ltd. (九州證券股份有限公司) from November 2015 to March 2018. Mr. Zhao has served as the deputy general manager of Tongchuang Jiuding Investment Group Co., Ltd. (同創九鼎投資集團股份有限公司) and executive director of Jiuan-FT Life International Investment Holdings cl. (九安富通公司) since March 2018. He has served as the chief financial officer of Tongchuang Jiuding Investment Group Co., Ltd. since May 2019; has served as a director of Kunwu Jiuding Investment Holdings Co., Ltd., (昆吾九鼎投資控股股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600053), since January 2021; and has served as a director of Tongchuang Jiuding Investment Management Group Co., Ltd. (同創九鼎投資管理集團股份有限公司) since December 2022. Mr. Zhao has served as a Director of the Bank since October 2020.

Mr. Zhao obtained a bachelor's degree in economics (majoring in financial accounting education) from Central China Normal University (華中師範大學) in Hubei Province, the PRC in June 2004 and obtained a doctorate degree in management (majoring in financial management) from Southwestern University of Finance and Economics in Sichuan Province, the PRC in June 2009.

Ms. XIAO Yufeng (肖玉烽), aged 39, is a non-executive Director of the Bank.

Ms. Xiao served as a clerk of the Financial Affairs Office of the People's Government of Yibin City (宜賓市人民政府金融工作辦公室) from January 2008 to January 2009; served as a staff member and senior staff member of the Financial Affairs Office of the People's Government of Yibin City successively from January 2009 to March 2016; served as the senior staff member and principal staff member of the Government and Social Capital Cooperation Project Office of Yibin Finance Bureau (宜賓市財政局政府和社會資本合作項目工作辦公室) successively from March 2016 to February 2018; served as the principal staff member of the administrative and legal section of Yibin Finance Bureau from February 2018 to November 2020 and was transferred to be a level 2 principal staff member in June 2019; served as level 2 principal staff member of the finance section of Yibin Finance Bureau from November 2020 to December 2020; served as the deputy section chief and level 2 principal staff member of the finance section of Yibin Finance Bureau from December 2020 to February 2024; and has served as the section chief of the finance section of Yibin Finance Bureau since February 2024. Ms. Xiao has served as a Director of the Bank since April 2021.

Ms. Xiao obtained a bachelor's degree in economics and a master's degree in agricultural promotion from Sichuan Agricultural University (四川農業大學) in Sichuan Province, the PRC in June 2007 and June 2019, respectively. Ms. Xiao was awarded the title of "Exemplary Individual in Compilation Work" (編纂工作先進個人) by Yibin Chronicles (《宜賓市志》) in 2012. In 2015 and 2017, she was awarded the title of "Exemplary Individual in Handling the Proposals" (建議、提案辦理工作先進個人) by the Office of Yibin Municipal Party Committee (宜賓市委辦公室), the Office of Standing Committee of Yibin Municipal People's Congress (宜賓市人大常委會辦公室), the Office of Yibin Municipal People's Government (宜賓市政府辦公室) and the Office of Yibin Municipal Committee of the CPPCC (政協宜賓市委員會辦公室). In 2020, she was awarded the title of "Model Individual of the National Unity and Progress" (民族團結進步模範個人) by Sichuan Provincial Government. In 2021, she was awarded the title of "Outstanding Communist Party Member" (優秀共產黨員) by the Work Committee for Organizations Directly under Yibin City of the CPC (中共宜賓市直機關工委). Ms. Xiao was qualified as an economics professional (intermediate) by the Ministry of Human Resources and Social Security of the PRC in October 2021.

Ms. TIAN Tian (田甜), aged 36, is a non-executive Director of the Bank.

Ms. Tian served as a staff member of the Treasury Centralized Payment Center in Nanxi District, Yibin City (宜賓市南溪區國庫集中支付中心) in accordance with the Civil Service Law from August 2012 to October 2013; served as a staff member of the Treasury Centralized Payment Center in Nanxi District, Yibin City from October 2013 to March 2015; served as the deputy director of the Office of Yibin Nanxi Finance Bureau (宜賓市南溪區財政局) from March 2015 to March 2016; served as the director of the Office of Yibin Nanxi Finance Bureau from March 2016 to February 2017; served as the director of the State-owned Assets Supervision and Administration Office of Yibin Nanxi Finance Bureau from February 2017 to February 2018; served as the section chief of the economic construction section of Yibin Nanxi Finance Bureau from February 2018 to February 2021, during which, she was transferred to be a level 1 staff member in June 2019 and served as the deputy director of the Finance and Investment Approval Center (財政投資評審中心) from November 2019 to June 2020; responsible for work of the debt section from April 2020 to February 2021. She served as the section chief of the debt section of Yibin Nanxi Finance Bureau from February 2021 to February 2022 and has served as a member of the Party Group and the chief accountant of Yibin Nanxi Finance Bureau since February 2022. Ms. Tian has served as a Director of the Bank since March 2023.

Ms. Tian obtained a bachelor's degree in management (majoring in financial management) from Sichuan Normal University in Sichuan Province, the PRC in June 2012. Ms. Tian obtained the qualification of a junior accountant from the Sichuan Provincial Department of Human Resources and Social Security (四川省人力資源和社會保障廳) in May 2011.

Independent Non-executive Directors

Ms. ZHAO Jingmei (趙靜梅), aged 51, is an independent non-executive Director of the Bank.

Ms. Zhao served successively as a lecturer at the School of Finance of Southwestern University of Finance and Economics from October 2003 to December 2004; served as an associate professor at the School of Finance of Southwestern University of Finance and Economics from January 2005 to December 2006; served as an associate professor and the deputy dean at the School of Finance of Southwestern University of Finance and Economics from January 2007 to December 2008; served as a professor, a doctoral supervisor and the deputy dean at the School of Finance of Southwestern University of Finance and Economics from January 2009 to December 2016; served as a professor, a doctoral supervisor and the executive dean at the School of Finance of Southwestern University of Finance and Economics from January 2017 to May 2022; served as an independent director of Chengdu Rural Commercial Bank (成都農商銀行) since March 2022; and served as a professor, a doctoral supervisor and the standing deputy dean (常務副院長) of the School of Finance of Southwestern University of Finance and Economics since June 2022.

Ms. Zhao obtained a bachelor's degree in international finance and a doctorate degree in finance from Southwestern University of Finance and Economics in Sichuan Province, the PRC in July 1996 and June 2003 successively. She also graduated from the post-doctoral program in Finance at the School of Finance of University of Mannheim (曼海姆大學金融學院) in Germany in June 2003.

Mr. YAO Liming (姚黎明), aged 40, is an independent non-executive Director of the Bank.

Mr. Yao served as a lecturer at the School of Business of Sichuan University from February 2013 to September 2015; served as an associate professor and a doctoral supervisor at the School of Business of Sichuan University from September 2015 to December 2017; served as an associate professor, assistant to the dean and director of the Development Planning and Discipline Construction Office (發展規劃與學科建設辦公室) (Talent Introduction Office (人才引進辦公室) and Postdoctoral Management Office (博士後管理辦公室)) of the School of Business of Sichuan University from December 2017 to September 2018; served as a researcher (professor), assistant to the dean and director of the Development Planning and Discipline Construction Office (發展規劃與學科建設辦公室) (Talent Introduction Office (人才引進辦公室) and Postdoctoral Management Office (博士後管理辦公室)) of the School of Business of Sichuan University from September 2018 to January 2022; and has served as the vice dean and a researcher (professor) at the School of Business of Sichuan University since January 2022. Mr. Yao has served as an independent Director of the Bank since April 2021.

Mr. Yao obtained his bachelor's degree in science (majoring in mathematics) and doctorate degree in management (majoring management science and engineering) from Sichuan University in Sichuan Province, the PRC in July 2006 and December 2012, respectively. Mr. Yao won the first prize of Science and Technology Progress Award in Sichuan Province (四川省科技進步獎一等獎) in 2012; was awarded the title of "2018 Outstanding Member of Jiusan Society Chengdu Municipal Committee" (九三學社成都市委二〇一八年度優秀社員) in 2018; was selected in the "Double Hundred Talent Project" (雙百人才工程) of Sichuan University in 2020; received the title of "Academic and Technology Leader" (學術和技術帶頭人) in Sichuan Province in 2021; received the title of "Top Young Talents in the National Ten Thousand Talents Program" (國家萬人計劃青年拔尖人才) in 2022; and served as a member of the 13th Sichuan Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) in 2022.

Mr. XING Huayu (邢華鈺), aged 46, is an independent non-executive Director of the Bank.

Mr. Xing worked at Shanghai Branch of Deutsche Bank (China) Co., Ltd. (德意志銀行(中國)有限公司) from June 2008 to April 2010; served as the director of the fixed income department of Credit Suisse AG, Shanghai Branch from April 2010 to October 2012; served as director of Barclays Bank, Shanghai Branch from June 2013 to July 2017 (also acting as the deputy branch manager in 2013) and director of Barclays Capital Asia Limited (also acting as the deputy branch manager in 2017) from July 2015 to March 2017; served as the vice general manager and director of China Huarong International Holdings Ltd. (中國華融國際控股有限公司) from August 2017 to May 2020 (also acting as the executive director of Huarong Holdings (Shenzhen) Equity Investment Fund Management Limited (華融控股(深圳)股權投資基金管理有限公司) Shenzhen Huraong Zhicheng Investment Consulting Limited) (深圳華融致誠投資諮詢有限公司); has served as the general manager of China Chengtong (Hong Kong) Asset Management Company Ltd (中國誠通(香港)資產管理有限公司) since June 2020. Mr. Xing was elected as an independent Director of the Bank by the Shareholder's general meeting in May 2023.

Mr. Xing obtained a bachelor's degree in English from Ocean University of China (中國海洋大學) (formerly known as Qingdao Ocean University (青島海洋大學)) in Shandong Province, the PRC in July 2001.

Ms. YU Xiaoran (于瀟然), aged 45, is an independent non-executive Director of the Bank.

Ms. Yu worked at KPMG Huazhen LLP (畢馬威華振會計師事務所) (Special General Partnership) from August 2000 to February 2018, during which she served as an auditor of the audit department from August 2000 to June 2003; served as an assistant manager of the audit department from July 2003 to June 2006; served as a manager of the audit department from July 2006 to June 2008; served as a senior manager of the audit department from July 2008 to September 2012; and served as a partner of the audit department from October 2012 to February 2018, where she was assigned to the Office of the Chief Accountant of the CSRC (中國證監會首席會計師辦公室) as an audit technical advisor from February 2014 to February 2015; served as the chief financial officer of Everbright Anshi (Beijing) Investment Management Co., Ltd. (光控安石(北京)投資管理有限公司) from February 2018 to September 2018; served as the principal financial officer of Everbright Anshi (Beijing) Investment Management Co., Ltd. from September 2018 to March 2023; served concurrently as an investment decision-making committee member of Everbright Anshi (Beijing) Investment Management Co., Ltd. from September 2018 to December 2022; served as a vice president and management decision-making committee member of Everbright Jiabao Co., Ltd. (光大嘉寶股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600622) from January 2019 to April 2023; and served concurrently as an investment decision-making committee member of Everbright Jiabao Co., Ltd. from February 2019 to April 2023. Ms. Yu was elected as an independent Director of the Bank by the Shareholder's general meeting in May 2023.

Ms. Yu obtained a bachelor's degree in economics from Beijing Technology and Business University (北京工商大學) in Beijing, the PRC in June 2000 and completed a postgraduate course of political economics from Peking University (北京大學) in Beijing, the PRC in December 2018. Ms. Yu holds the qualification of a Chinese Certified Public Accountant.

BOARD OF SUPERVISORS

The Board of Supervisors consists of 11 Supervisors, including four external Supervisors, three Shareholder Supervisors and four employee representative Supervisors.

The following table sets forth certain information regarding the Supervisors.

Name	Age	Position	Time of joining the Bank	Date of appointment as a Supervisor	Principal roles and responsibilities
KANG Yong (康勇)	52	Employee representative Supervisor and chairman of the Board of Supervisors	January 2021	February 6, 2021	Presiding over the overall work of the Board of Supervisors, supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control, convening and presiding over meetings of the Board of Supervisors, and reporting work to the general meetings on behalf of the Board of Supervisors
LIU Wanli (劉萬里)	60	Employee representative Supervisor	July 2010	June 22, 2018	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control
JIA Yan (賈艷)	52	Employee representative Supervisor	July 2010	February 6, 2021	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control

Name	Age	Position	Time of joining the Bank	Date of appointment as a Supervisor	Principal roles and responsibilities
MAO Fangqiong (毛方瓊)	41	Employee representative Supervisor	April 2010	May 14, 2021	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control
JIA Heng (賈恆)	44	Shareholder Supervisor	August 2019	August 8, 2019	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control
HE Ling (何玲)	45	Shareholder Supervisor	April 2024	April 30, 2024	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control
ZHANG Jufang (張聚方)	53	External Supervisor	August 2019	August 8, 2019	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control
CHEN Qian (陳倩)	51	External Supervisor	December 2020	December 28, 2020	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control

Name	Age	Position	Time of joining the Bank	Date of appointment as a Supervisor	Principal roles and responsibilities
XU Jiagen (徐加根)	55	External Supervisor	April 2014	April 9, 2021	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control
SHAN Chengge (單承戈)	55	External Supervisor	April 2015	April 9, 2021	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control
WANG Shuai (王帥)	49	Shareholder Supervisor	May 2023	May 12, 2023	Responsible for supervising the performance of the Directors and senior management members, supervising and reviewing the Bank's financial activities, operational decisions, risk management, and internal control

Mr. KANG Yong (康勇), aged 52, is the chairman of the Board of Supervisors of the Bank.

Mr. Kang served as the deputy director of the Office of the PBoC, Gong County Branch from January 1999 to April 2000; served as a staff member in the human resources and education section of the PBoC, Gong County Branch from April 2000 to April 2002; served as the vice president of the PBoC, Gong County Branch from April 2002 to December 2003; served as the head of the Gong County Supervision Office of Yibin Branch of the CBRC from December 2003 to June 2004; served as the deputy director of the Gong County Supervision Office of Yibin Branch of the CBRC from June 2004 to October 2004; served as the director of the Gong County Supervision Office of Yibin Branch of the CBRC from October 2004 to August 2006; served as the director of the Gong County Supervision Office and deputy section chief of the First Division (一科副科長) of the supervision section of Yibin Branch of the CBRC from August 2006 to May 2008; served as the section chief of the First Division (一科科長) of the supervision section and director of the Gong County Supervision Office of Yibin Branch of the CBRC from May 2008 to April 2011; served as the section chief of the Third

Division (三科科長) of the supervision section of Yibin Branch of the CBRC from April 2011 to May 2012; served as a member of the Party Committee and deputy director of Yibin Branch of the CBRC from May 2012 to December 2018; served as the interim head of Yibin Branch of the CBIRC from December 2018 to April 2019; served as a member of the Party Committee and deputy director of Yibin Branch of the CIBRC from April 2019 to December 2020; served as a level 3 researcher of Yibin Branch of the CIBRC from October 2019 to December 2020. Mr. Kang has been a member of the Party Committee of the Bank since January 2021, a Supervisor and the chairman of the Board of Supervisors of the Bank since February 2021, and the chairman of the union since April 2023.

Mr. Kang graduated from the Correspondence Institute of the Party School of Sichuan Provincial Committee (四川省委黨校函授學院) in Sichuan Province, the PRC, majoring in law through correspondence studies in December 2000.

Mr. LIU Wanli (劉萬里), aged 60, is an employee representative Supervisor of the Bank.

Mr. Liu served as a credit officer and the head of the planning and credit department of Agricultural Development Bank of China (中國農業發展銀行), Xingwen County Branch from January 1999 to July 2002; was in charge of the general management of planning and credit department of Agricultural Development Bank of China, Yibin Branch from August 2002 to April 2005; was in charge of the customer marketing of Agricultural Development Bank of China, Yibin Branch from May 2005 to September 2006; was in charge of the marketing of Agricultural Development Bank of China, Xingwen County Branch from October 2006 to November 2009 and served as the business manager in December 2009; served as the deputy director of the Office of the Board of Supervisors of the Bank from July 2010 to January 2015; served as the deputy director of the Supervision Office of the Bank in February 2015. Since January 2018, he has served as the director of the Office of the Board of Supervisors of the Bank. Mr. Liu has served as a Supervisor of the Bank since June 2018.

Mr. Liu graduated from the Correspondence Institute of the Party School of Sichuan Provincial Committee (四川省委黨校函授學院) in Sichuan Province, the PRC, majoring in economic management through correspondence studies in in December 1996. Mr. Liu obtained the qualification of intermediate level in finance from the Ministry of Personnel of the PRC in November 2000 and holds the title of senior financial planner.

Ms. JIA Yan (賈艷), aged 52, is an employee representative Supervisor of the Bank.

Ms. Jia worked at the PBoC, Junlian County Branch from July 1992 to June 2010, serving as a staff member, deputy director of the office, director, and deputy president. She served as the deputy general manager of the general management department of the Bank from July 2010 to February 2016; served as the general manager of the compliance management department of the Bank from February 2016 to March 2022; and has served as the director of the discipline inspection and supervision office of the Bank since March 2022. Ms. Jia has served as an employee representative Supervisor of the Bank since February 2021.

Ms. Jia graduated from China Central Radio and TV University (now known as The Open University of China) in Beijing, the PRC, majoring in law in November 2002.

Ms. MAO Fangqiong (毛方瓊), aged 41, is an employee representative Supervisor of the Bank.

Ms. Mao worked in the risk management department of the Bank from April 2010 to December 2011; served as the head of comprehensive risk management in the risk management department of the Bank from December 2011 to August 2014. She served as the deputy general manager of the risk management department of the Bank from August 2014 to October 2023, and served as the deputy general manager of the strategic management department of the Bank from January 2022 to October 2023. She has served as the general manager of the strategic management department of the Bank since October 2023. Ms. Mao has served as an employee representative Supervisor of the Bank since May 2021.

Ms. Mao obtained a bachelor's degree in international economics and trade from Chongqing Jiaotong University (重慶交通大學) in Chongqing, the PRC in June 2007, and a master's degree in finance from Southwestern University of Finance and Economics in Sichuan Province, the PRC in March 2010. Ms. Mao obtained the qualification of intermediate level in finance from the Department of Human Resources and Social Security of Sichuan Province in November 2012.

Mr. JIA Heng (賈恒), aged 44, is a Shareholder Supervisor of the Bank.

Mr. Jia served as the regional manager of Shenzhen and director of the food and environmental protection industry of Jiangsu Skyray Instrument Co., Ltd. (江蘇天瑞儀器股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300165) from 2006 to 2014; and served as the general manager of Sichuan Qiutianji Network Technology Co., Ltd. (四川秋田集網絡科技有限公司) since April 2018. Mr. Jia has served as a Shareholder Supervisor of the Bank since August 2019.

Mr. Jia obtained a bachelor's degree in management from Sichuan Normal University in Sichuan Province, the PRC in July 2003.

Ms. HE Ling (何玲), aged 45, is a Shareholder Supervisor of the Bank.

Ms. He worked in the agricultural economics station of Wude town, Junlian County (筠連縣武德鄉農經站), serving as a reserve civil servant (預備公務員) from December 2001 to February 2005. She successively served as a staff member, deputy director of office, deputy director of the case examination office, director of the case examination office, director of the Party work style office and the member of the Standing Committee of the Discipline Inspection Commission of Junlian County from February 2005 to February 2014. Ms. He worked as a deputy secretary of the Party Committee, secretary of the Discipline Inspection Commission, and chairman of the National People's Congress of Xunsi Town, Junlian County from February 2014 to March 2017; as a deputy secretary of the Party Committee and the township mayor of

Gaokan Town, Junlian County from June 2017 to August 2019; as the chairman of the Women's Federation of Junlian County from November 2019 to January 2022; and successively served as a member of the Party Committee of the Bureau of Economy, Business, Informatization, and Science and Technology of Junlian County and the director of Junlian County Service Industry Development and Promotion Center from January 2022 to January 2024. Ms. He has served as the secretary of the Party Committee and the director of Junlian County Finance Bureau since February 2024.

Ms. He graduated from Yibin Normal Higher Collegiate School in Sichuan Province, the PRC, majoring in law, in July 2001. She also obtained her bachelor's degree in law from Southwest Minzu College (西南民族學院) (now known as the Southwest Minzu University (西南民族大學)) in Sichuan Province, the PRC, in June 2002 and a master's degree in law from the Party School of Sichuan Provincial Committee of Communist Party of China in Sichuan Province, the PRC, in June 2010.

Ms. ZHANG Jufang (張聚方), aged 53, is an external Supervisor of the Bank.

Ms. Zhang served successively as the executive deputy director of the finance department, the director of the finance department, the deputy chief accountant, the financial accounting management director and the financial management director of Yibin Tianyuan Group Co., Ltd. (宜賓天原集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002386) from 2003 to 2011, and she served concurrently as the director of the office of the board of directors and the manager of the financial management department during this period; and has served as the chief financial officer of Sichuan Nongda Gaoke Agriculture Co., Ltd. (四川農大高科農業有限責任公司) since January 2012. Ms. Zhang has served as an external Supervisor of the Bank since August 2019.

Ms. Zhang graduated from Southwestern University of Finance and Economics in Sichuan Province, the PRC, majoring in accounting in June 1997. Ms. Zhang holds the title of senior accountant.

Ms. CHEN Qian (陳倩), aged 51, is an external Supervisor of the Bank.

Ms. Chen has served as a lawyer and senior partner in Beijing Dacheng (Chengdu) Law Firm (北京大成(成都)律師事務所) since September 2009. Ms. Chen has served as an external Supervisor of the Bank since December 2020.

Ms. Chen obtained a bachelor's degree in law from Southwest University for Nationalities (西南民族大學) in Sichuan, the PRC in July 1997. Ms. Chen has a lawyer's practice license in the PRC.

Mr. XU Jiagen (徐加根), aged 55, is an external Supervisor of the Bank.

Mr. Xu joined Southwestern University of Finance and Economics as a teacher in July 1999 and has served as a professor in the School of Finance of Southwestern University of Finance and Economics since December 2012. Mr. Xu served as an independent Director of the Bank from April 2014 to December 2020 and has served as an external Supervisor of the Bank since April 2021.

Mr. Xu obtained a bachelor's degree in engineering (majoring in industrial analysis) from Liaoning Petrochemical University (遼寧石油化工大學) (formerly known as Fushun Petroleum Institute (撫順石油學院)) in Liaoning Province, the PRC in July 1991, a master's degree in economics and a doctorate degree in economics from Southwestern University of Finance and Economics in Sichuan Province, the PRC in June 1999 and June 2008, respectively.

Mr. SHAN Chengge (單承戈), aged 55, is an external Supervisor of the Bank.

Mr. Shan served as a teaching assistant in the School of Economics and Management of Southwest Jiaotong University from May 1994 to June 1996; served as a lecturer in the School of Economics and Management of Southwest Jiaotong University from July 1996 to June 2001; served as an associate professor in the School of Economics and Management of Southwest Jiaotong University from July 2001 to June 2007; has served as a professor in the School of Economics and Management of Southwest Jiaotong University since July 2007; and has served as an independent director of Hubei Tianqin Biotechnology Co., Ltd. (湖北天勤生物科技股份有限公司) since December 2023. Mr. Shan served as an independent Director of the Bank from April 2015 to December 2020, and has served as an external Supervisor of the Bank since April 2021.

Mr. Shan obtained a bachelor's degree in engineering (majoring in industrial engineering), master's degree in science (majoring in industrial engineering) and doctorate degree in management (majoring in management science and engineering) from Southwest Jiaotong University (西南交通大學) in Sichuan Province, the PRC in July 1991, May 1994 and March 2006 successively.

Mr. WANG Shuai (王帥), aged 49, is a Shareholder Supervisor of the Bank.

Mr. Wang has served as the general manager of Yibin Nielei Jewelry Company (宜賓聶磊珠寶公司) since October 2010. Mr. Wang was elected as a Shareholder Supervisor of the Bank by the Shareholder's general meeting in May 2023.

Mr. Wang was a supervisor of Chengdu Zhenghe Jewelry Co., Ltd. (成都正和珠寶有限公司) ("**Chengdu Zhenghe**"), a limited liability company established in the PRC. The business license of Chengdu Zhenghe was revoked on January 18, 2008 due to failure to undergo annual inspection as required under the relevant PRC regulations. As confirmed by Mr. Wang, Chengdu Zhenghe did not have any business activities and was dormant immediately prior to its business licence being revoked. Mr. Wang was not involved in the business operation of

Chengdu Zhenghe at the relevant time and the failure of Chengdu Zhenghe was not due to any fault on the part of Mr. Wang. As at the Latest Practicable Date, Chengdu Zhenghe has not commenced dissolution. Further, as confirmed by Mr. Wang, Chengdu Zhenghe was solvent at the time of revocation of its business license, and Mr. Wang was not aware of any pending claim or outstanding debts of Chengdu Zhenghe; Mr. Wang was not involved in any inspection by regulatory authorities and did not incur any debt and/or liabilities because of such revocation, and that the revocation did not have negative effect on our Group.

Mr. Wang obtained an EMBA degree from Southwestern University of Finance and Economics in Chengdu, Sichuan Province in January 2011.

SENIOR MANAGEMENT

The following table sets forth certain information regarding the senior management of the Bank.

Name	Age	Position	Time of joining the Bank	Date of appointment as a senior management member[1]	Principal roles and responsibilities
YANG Xingwang (楊興旺)	50	Executive Director and president	December 2006	December 9, 2021	Responsible for the management of the Bank's business operations; organizing the implementation of the resolutions of the Board; reporting to the Board on the operation and management of the Bank; chairman of the Risk Management Committee of the Board, member of the Strategy and Asset and Liability Management Committee of the Board, and member of the Related Party Transactions Control Committee of the Board
GONG Yuchi (龔玉池)	55	Vice president	October 2016	October 10, 2020	In charge of the business development department, retail banking business management department, internet finance business department, important customer department 1, financial market department, and wealth management business department

Name	Age	Position	Time of joining the Bank	Date of appointment as a senior management member[1]	Principal roles and responsibilities
LIANG Youtao (梁幼濤)	52	Vice president	December 2006	July 15, 2021	Responsible for assisting the Chairman in managing the internal audit department, in charge of the strategic management department, human resources department, risk management department, and asset preservation department
ZHU Bo (朱博)	39	Vice president	January 2021	July 19, 2021	In charge of the general management department, planning and finance department, compliance management department, and security department
TANG Lin (唐粼)	44	Secretary to the Board of Directors	June 2023	September 18, 2023	Assisting the Chairman in managing the Office of the Board of Directors, drafting meeting documents and relevant rules and regulations for the Board of Directors and general meetings
TANG Xudong (唐旭東)	52	Chief information officer	August 2013	April 21, 2014	In charge of the information technology department 1, information technology department 2, and accounting management department
YU Kui (余奎)	40	Head of the internal audit department	April 2011	July 15, 2021	Responsible for the internal audit work throughout the Bank and supervising the operation and management of the entire Bank in accordance with regulatory requirements
PU Bin (蒲斌)	52	Head of the planning and finance department	July 2020	November 16, 2022	Responsible for assets and liabilities management, statistical work, and financial management

Note:

(1) The date of appointment as a senior management member mentioned here refers to the date on which the relevant senior management member obtained the qualification approval from the banking regulatory authorities (if applicable) or the date on which the relevant senior management member was appointed upon approval by the Board of Directors.

Mr. YANG Xingwang (楊興旺), aged 50, is an executive Director and the president of the Bank.

Please refer to "Directors, Supervisors and Senior Management – Executive Directors" for his biography.

Mr. GONG Yuchi (龔玉池), aged 55, is a vice president of the Bank.

Mr. Gong served as a credit examiner in the credit management department of Huaxia Bank Co., Ltd. (華夏銀行股份有限公司) ("**Huaxia Bank**"), Chengdu Branch from April 2002 to September 2003; served as an assistant to the director of the credit management department of Huaxia Bank, Chengdu Branch from September 2003 to November 2004; served as the deputy general manager of the risk management department of Huaxia Bank, Chengdu Branch from November 2004 to July 2006; served as the general manager of the asset preservation department of Huaxia Bank, Chengdu Branch from July 2006 to July 2007; served as the head of Huaxia Bank, Chengdu Jinniu Branch from July 2007 to January 2009; served as the head and later deputy general manager of the risk management department of Chengdu Rural Credit Cooperative Cooperative Co., Ltd. (成都市農村信用合作聯社股份有限公司) from January 2009 to April 2010; served as the general manager of the credit approval department of Chengdu Rural Commercial Bank from April 2010 to September 2012; served as the president of Chengdu Rural Commercial Bank, Liangli Branch from September 2012 to November 2014 (also acting Party Branch Secretary in December 2012); served as the leader of the preparatory team of San Nong Bank (Beijing) Co., Ltd. (新農銀行股份有限公司) from September 2015 to October 2016; served as the deputy general manager of the small enterprise business department of the Bank from October 2016 to March 2017; served as the general manager of the small enterprise business department of the Bank from March 2017 to December 2018; served as the general manager of the Bank's important customer department 2 from December 2018 to October 2020. Mr. Gong has been a member of the Party Committee of the Bank since January 2019 and a vice president of the Bank since October 2020.

Mr. Gong obtained a master's degree in economics from Sichuan University in Sichuan, the PRC in June 1999 and a doctorate degree in economics from Sichuan University in Sichuan, the PRC in December 2003.

Ms. LIANG Youtao (梁幼濤), aged 52, is a vice president of the Bank.

Ms. Liang worked in the Research Institute of Sichuan Changjiang Paper Mill (四川長江造紙廠科研所) from December 1992 to August 1995; served as a staff member in the office of Daguanlou Urban Credit Cooperative in Yibin City from August 1995 to August 2002; served as a staff member in the internal audit department of Yibin City Urban Credit Cooperative from August 2002 to December 2006; served as a staff member in the internal audit department of the Bank from December 2006 to November 2007; served as the deputy general manager of the internal audit department of the Bank from November 2007 to March 2010; served as the general manager of the internal audit department of the Bank from March 2010 to December 2020; and concurrently served as the general manager of the risk management department of the Bank from December 2020 to June 2021. Ms. Liang has been a member of the Party Committee of the Bank since December 2020 and a vice president of the Bank since July 2021.

Ms. Liang graduated from Sichuan Radio and TV University (四川廣播電視大學) in Sichuan Province, the PRC in July 2002, majoring in Chinese language and literature. Ms. Liang obtained the qualification of intermediate level in finance from the Ministry of Personnel of the PRC in November 2003 and was awarded the qualification of certified internal auditor by the China Institute of Internal Auditors in October 2013. Ms. Liang was awarded the title of "Exemplary Individual of Internal Audit in Sichuan" (四川省內部審計先進工作者) from 2011 to 2013 and 2014 to 2016.

Mr. ZHU Bo (朱博), aged 39, is a vice president of the Bank.

Mr. Zhu served as a probationary cadre in the survey and statistics department of the PBoC, Chengdu Branch from July 2014 to July 2015; served as the principal staff member of the analysis department of the survey and statistics department of the PBoC, Chengdu Branch from July 2015 to January 2017; served as the principal staff member of the financial research department of the PBoC, Chengdu Branch from January 2017 to January 2021. Mr. Zhu has been a member of the Party Committee of the Bank since January 2021 and as a vice president of the Bank since July 2021.

Mr. Zhu obtained a bachelor's degree in economics and a doctorate degree in political economy from Southwestern University of Finance and Economics in Sichuan Province, the PRC in June 2009 and June 2014, respectively. Mr. Zhu was awarded the title of economist by the PBoC, Chengdu Branch in August 2015.

Ms. TANG Lin (唐粼), aged 44, is the secretary to the Board of Directors of the Bank.

Ms. Tang worked at China Construction Bank from July 2003 to July 2015, where her last position was a department deputy manager of Chengdu Tianfu New District Branch; served as a senior investment manager of Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd. (成都成渝建信股權投資基金管理有限公司) from June 2017 to July 2019; served as the chief investment officer of Chengdu Huateng Puyi Equity Investment Fund Management Co., Ltd. (成都華騰普益股權投資基金管理有限責任公司) from July 2019 to February 2022 and the deputy general manager from February 2022 to June 2023; concurrently served as the legal representative, executive director and general manager of Chengdu Dongguang Tengyue Trading Co., Ltd. (成都東廣騰悦貿易有限公司) from July 2020 to June 2023; concurrently served as a director of Aerospace Science and Industry Communication Technology Research Institute Co., Ltd. (航天科工通信技術研究院有限責任公司) from September 2020 to June 2023; concurrently served as a supervisor of Chengdu Puhui Financing Guarantee Co., Ltd. (成都市普惠融資擔保有限責任公司) from August 2021 to June 2023; concurrently served as a director of Sichuan Yuesheng Energy Group Co., Ltd. (四川越盛實業開發有限公司) from December 2021 to June 2023; concurrently served as a director of Chengdu Dongguang Energy Co., Ltd. (成都東廣能源有限公司) from December 2021 to June 2023; and concurrently served as the representative of the executive officer of Chengdu Chenghua Industrial Revitalization Equity Investment Fund Partnership (Limited Partnership) (成都成華產業振興股權投資基金合夥企業(有限合夥)) from March 2023 to June 2023. Ms. Tang was elected as the Secretary to the Board of Directors of the Bank by the Board in June 2023.

Ms. Tang obtained a bachelor's degree in economics (majoring in finance) from Southwestern University of Finance and Economics in Sichuan, the PRC in June 2003; a master's degree in business administration from Sichuan University (四川大學) in Sichuan, the PRC in June 2010; and a doctorate degree in economics (majoring in industrial economics) from Southwestern University of Finance and Economics in June 2021. Ms. Tang was awarded the title of senior economist by Chengdu Human Resources and Social Security Bureau (成都市人力資源和社會保障局) in June 2022.

Mr. TANG Xudong (唐旭東), aged 52, is the chief information officer of the Bank.

Mr. Tang worked in the technology department of the PBoC, Yibin City Center Branch from October 1995 to March 1999; served as the deputy director of the technology department of the PBoC, Yibin City Center Branch from March 1999 to April 2002; served as the deputy director and director of the technology department of the PBoC, Yibin City Center Branch from April 2002 to August 2008; served as the president and Party secretary of the PBoC, Gao County Branch from August 2008 to August 2011; served as the director of the technology department of the PBoC, Yibin City Center Branch from August 2011 to August 2013; and was qualified as a senior engineer of the PBoC, Yibin City Center Branch in October 2012. Mr. Tang joined the Bank in August 2013 and has served as the chief information officer of the Bank since April 2014.

Mr. Tang obtained a bachelor's degree in engineering (majoring in computer science) from Chongqing University (重慶大學) in Chongqing, the PRC in June 1995 and obtained a master's degree in business administration from Southwestern University of Finance and Economics in Sichuan Province, the PRC in January 2005.

Mr. YU Kui (余奎), aged 40, is the head of the internal audit department of the Bank.

Mr. Yu served as a staff member of Junlian Branch of the Bank from April 2011 to February 2012; served as a staff member and director of the compliance management department and the internal audit department of the Bank from February 2012 to September 2016; served as a vice president of Yibin Xingyi Rural Bank from September 2016 to June 2018; served as the deputy general manager of the internal audit department of the Bank from June 2018 to July 2021, during which he was assigned to Yibin Xingyi Rural Bank as a risk monitor; and has served as a director of Yibin Xingyi Rural Bank since December 2021. Mr. Yu has been the head of the internal audit department of the Bank since July 2021.

Mr. Yu obtained a bachelor's degree in economics (majoring in international economics and trade) from Sichuan Normal University in Sichuan, the PRC in July 2008 and obtained a master's degree in finance from Southwestern University of Finance and Economics in Sichuan, the PRC in June 2011. Mr. Yu was awarded the qualification of a Chinese Certified Public Accountant by the Sichuan Institute of Certified Public Accountants in May 2019.

Mr. PU Bin (蒲斌), aged 52, is the head of the planning and finance department of the Bank.

Mr. Pu served as a staff member in Zhiquan Branch of Industrial and Commercial Bank of China Limited ("**Industrial and Commercial Bank of China**") from July 1994 to August 1999; served as the deputy director of Chengdu Dongdajie Branch Yongling Office of Industrial and Commercial Bank of China from September 1999 to March 2001; served as a staff member of treasury and finance department in charge of treasury counting of Shanghai Pudong Development Bank Co., Ltd. ("**Pudong Development Bank**"), Chengdu Branch from September 2001 to March 2005; served as the assistant to the general manager of the capital finance department of Pudong Development Bank, Chengdu Branch from March 2005 to April 2008; served as the deputy general manager of the capital finance department of Pudong Development Bank, Chengdu Branch from April 2008 to September 2012; served as the deputy director of the business performance management division of the asset and liability management department of Pudong Development Bank from September 2014 to December 2015; served as the general manager of the retail banking business department of Pudong Development Bank, Chengdu Branch from December 2015 to April 2017; served as the general manager of the capital finance department of Pudong Development Bank, Chengdu Branch from April 2017 to October 2017; and served as the president of Pudong Development Bank, Deyang Branch from February 2018 to December 2019. Mr. Pu has worked in the planning and finance department of the Bank since July 2020 and has been the head of the planning and finance department of the Bank since November 2022.

Mr. Pu graduated from Xihua University (西華大學) in Sichuan Province, the PRC with a bachelor's degree in engineering (majoring in packaging engineering) in July 1994. He obtained a bachelor's degree in accounting from Sichuan University in Sichuan Province, the PRC in June 1999 and a master's degree in business administration from the Business School of Sichuan University (四川省工商管理學院) in Sichuan Province, the PRC in July 2004. Mr. Pu was awarded the title of intermediate economist in November 1999.

Save as disclosed in this section headed "Directors, Supervisors and Senior Management", (i) none of our Directors or Supervisors held any directorship in any listed companies whose shares are listed on Hong Kong or overseas securities markets during the three years prior to the date of this Prospectus; (ii) to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there are no other matters related to the appointment of Directors and Supervisors that need to be brought to the attention of our Shareholders or any information related to the Directors and Supervisors that is required to be disclosed in accordance with Rule 13.51(2)(a) to (v) of the Listing Rules.

To the best knowledge, information and belief of the Directors, the Directors, Supervisors and senior management do not have any relationship amongst them.

COMPETING BUSINESS

Save as disclosed above, each of the Directors confirmed that, as of the Latest Practicable Date, none of the them had any interest in a business which competes or may compete, either directly or indirectly, with our business and is required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules.

JOINT COMPANY SECRETARIES

Ms. TANG Lin is a joint company secretary of the Bank. Ms. Tang is also a member of the senior management of the Bank. Please refer to "– Senior Management" of this section for her detailed biography.

Dr. NGAI Wai Fung (魏偉峰) is a joint company secretary of the Bank. Dr. Ngai is currently a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Dr. Ngai possesses substantial company secretarial experience. Dr. Ngai became a fellow member of the Hong Kong Chartered Governance Institute in November 2000, a fellow member of the Chartered Governance Institute in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007, and a fellow member of the Association of Chartered Certified Accountants in March 2012.

Dr. Ngai obtained a master's degree in business administration from Andrews University in the United States in August 1992, a bachelor's degree in law from the University of Wolverhampton in the United Kingdom in October 1994, a master's degree in corporate finance from the Hong Kong Polytechnic University in November 2002, and a doctoral degree in economics from the Shanghai University of Finance and Economics (上海財經大學) in June 2011.

BOARD COMMITTEES

The Bank has established seven committees under the Board of Directors in accordance with the relevant laws and regulations of the PRC and the corporate governance practices stipulated in the Listing Rules, namely, the Strategy and Asset and Liability Management Committee, the Nomination and Remuneration Committee, the Internal Control and Compliance Committee, the Audit Committee, the Risk Management Committee, the Related Party Transactions Control Committee and the Consumer Rights and Interests Protection Committee.

Strategy and Asset and Liability Management Committee

The Strategy and Asset and Liability Management Committee of the Bank consists of seven Directors, namely, Mr. Xue Feng (executive Director), Mr. Yang Xingwang (executive Director), Mr. XU Yong (executive Director), Ms. Jiang Lin (non-executive Director), Ms. Xiao Yufeng (non-executive Director), Mr. Zhao Gen (non-executive Director), and Mr. Xing Huayu (independent non-executive Director). Mr. Xue Feng currently serves as the chairman of the Strategy and Asset and Liability Management Committee. The primary duties of the Strategy and Asset and Liability Management Committee include but are not limited to:

(I) to study and formulate the Bank's long-term development strategies and medium to long-term development outline, and make recommendations to the Board of Directors;

(II) to supervise and evaluate the implementation process of the strategies, including supervising and inspecting the implementation of annual business plans, investment plans, and green credit development strategies;

(III) to propose strategic adjustment suggestions based on changes in the business environment;

(IV) to provide suggestions and proposals for the Bank's major investment decisions, including fixed asset investments and equity investments; and

(V) other functions stipulated in the relevant laws and regulations and the Articles of Association of the Bank, and authorized by the Board of Directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Bank consists of seven directors, namely, Mr. Xing Huayu (independent non-executive Director), Mr. Xue Feng (executive Director), Ms. Jiang Lin (non-executive Director), Ms. Xiao Yufeng (non-executive Director), Mr. Yao Liming (independent non-executive Director), Ms. Yu Xiaoran (independent non-executive Director), and Ms. ZHAO Jingmei (independent non-executive Director). Mr. Xing Huayu currently serves as the chairman of the Nomination and Remuneration Committee. After Listing, the primary duties of the Nomination and Remuneration Committee include but are not limited to:

(I) based on the operational activities, asset size, and equity structure of the Bank, to conduct a review of the personnel and composition of the Board of Directors and senior management (including skills, knowledge, and experience) at least annually, and make recommendations to the Board of Directors on any changes proposed to be made to align with the Bank's corporate strategy;

(II) to identify individuals with suitable qualifications to serve as Directors, conduct a preliminary review of the qualifications and criteria of the proposed candidates, and make recommendations to the Board of Directors;

(III) to provide recommendations to the Board of Directors on the appointment or reappointment of Directors and the succession plan of Directors (especially the Chairman of the Board and the president of the head office);

(IV) to develop a compensation management system and structure for Directors and the senior management, formulate compensation policies by establishing formal and transparent procedures, make recommendations to the Board of Directors, and supervise their implementation;

(V) to review and approve the compensation proposals of the management in response to the Bank's policies and objectives set by the Board of Directors, propose compensation and benefits packages for individual executive Directors and senior management, including non-monetary benefits, pension rights, and compensation amounts (including compensation for loss or termination of office or appointment), and submit the same to the Board of Directors for approval, and make recommendations on the compensation of non-executive Directors to the Board of Directors; and

(VI) other functions stipulated in the relevant laws and regulations and the Articles of Association of the Bank, and authorized by the Board of Directors.

Internal Control and Compliance Committee

The Internal Control and Compliance Committee of the Bank consists of three Directors, namely, Ms. Zhao Jingmei (independent non-executive Director), Ms. Tian Tian (non-executive Director) and Mr. YAO Liming (independent non-executive Director). Ms. Zhao Jingmei currently serves as the chairman of the Internal Control and Compliance Committee. The primary duties of the Internal Control and Compliance Committee include but are not limited to:

(I) according to the authorization of the Board of Directors, to review and approve the compliance policies of the Bank, supervise the implementation of compliance policies, review and approve the compliance related report, and conduct daily supervision on the internal control risk and compliance risk management of the Bank;

(II) to urge the Bank to operate prudently within the legal and policy framework in accordance with the requirements proposed by the Board of Directors for the Bank to establish and implement a sufficient and effective internal control and compliance risk management system;

(III) according to the acceptable risk level determined by the Board of Directors, to urge the senior management to develop systematic systems, processes and methods, take corresponding risk control measures, establish and improve the internal organization, and ensure the effective performance of various responsibilities of internal control;

(IV) to organize the monitoring and evaluation of the adequacy and effectiveness of the internal control and compliance risk management system, and supervise the effective implementation of the internal control system and compliance policies; to review the annual internal control evaluation report and submit the same to the Board of Directors for approval; and

(V) other functions stipulated in the relevant laws and regulations and the Articles of Association of the Bank, and authorized by the Board of Directors.

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. The Bank has also adopted sufficient corporate governance measures to manage the conflict of interest and potential competition to safeguard the interest of the Bank and the Shareholders, including:

(1) where a meeting of the Board is to be held for considering proposed business and/or investment related to Sichuan Bank, Ms. Jiang will not vote on the resolutions and shall not be counted in the quorum in the voting;

(2) the Bank has established internal control mechanism to identify connected transactions. After the Listing, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at the Bank's expense; and

(4) the Bank has appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between Sichuan Bank and its respective close associates and the Group and to protect the interests of the Bank and the Shareholders, in particular, the minority Shareholders.

Audit Committee

The Audit Committee of the Bank consists of three Directors, namely, Ms. Yu Xiaoran (independent non-executive Director), Ms. Tian Tian (non-executive Director), and Ms. Zhao Jingmei (independent non-executive Director). Ms. Yu Xiaoran currently serves as the chairman of the Audit Committee. After Listing, the primary duties of the Audit Committee include but are not limited to:

(I) to be responsible for preparing the plans for conducting examination on the Directors and senior management personnel when they resign, preparing the plans for the inspection and supervision of the Bank's financial activities, reviewing the financial and accounting policies and practices of the Bank and its subsidiaries, and preparing the plans for the examination of the Bank's business decisions, risk management and internal control;

(II) to propose to employ, reappoint, dismiss or replace an external audit organization, approve the remuneration and employment terms of the external audit organization, and handle any issues related to the resignation or dismissal of the audit organization; to serve as the main representative between the Bank and external audit organizations, and be responsible for monitoring the relationship between the two;

(III) to understand major financial matters and changes in accounting policies of the Bank in a timely manner;

(IV) to review and monitor the independence and objectivity of the external audit organization and the effectiveness of audit procedures in accordance with applicable standards; discuss the external audit plan for the current year (including audit nature, scope, procedures, methods, and related reporting responsibilities) with the external audit organization before the start of the audit work, and review the opinions and suggestions of the external audit organization at the end of the audit;

(V) to discuss the risk management and internal control system with the management to ensure that the management has fulfilled its responsibilities and established an effective system. The discussion should include whether the Bank's resources in accounting and financial reporting functions, employee qualifications and experience are sufficient, as well as whether the training courses received by employees and related budgets are sufficient;

(VI) to review the completeness of the Bank's financial statements, annual reports and accounts, half-yearly reports, and (if proposed to be published) quarterly reports, and review the significant opinions on financial reporting included in the statements and reports; to consider any major or unusual matters reflected or required to be reflected in such reports and accounts, and give due consideration to any matters raised by the Bank's internal accounting and financial reporting personnel, internal audit department head or auditors; and

(VII) other functions stipulated in the relevant laws and regulations and the Articles of Association of the Bank, and authorized by the Board of Directors.

Risk Management Committee

The Risk Management Committee of the Bank consists of four Directors, namely, Mr. Yang Xingwang (executive Director), Ms. Xiao Yufeng (non-executive Director), Ms. Zhao Jingmei (independent non-executive Director), and Mr. Xing Huayu (independent non-executive Director). Mr. Yang Xingwang currently serves as the chairman of the Risk Management Committee. The primary duties of the Risk Management Committee include but are not limited to:

(I) to review the Bank's risk control strategies (including risk control strategic objectives and control strategies of credit risk, market risk and operational risk faced by business development, and strive to balance and unify the effectiveness, security and liquidity of operation and management) and the Bank's annual risk management objective plan for decision-making by the Board of Directors;

(II) to regularly assess the Bank's risk and management status, risk tolerance and level, and put forward suggestions on improving risk management and internal control;

(III) according to the requirements of the Board of Directors, to conduct investigations on major investment decisions and major asset disposal within the scope of their responsibilities, and have the right to hire external experts to assist in the work as they deem it appropriate; and

(IV) other functions stipulated in the relevant laws and regulations and the Articles of Association of the Bank, and authorized by the Board of Directors.

Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Bank consists of three Directors, namely, Mr. Yao Liming (independent non-executive Director), Mr. Yang Xingwang (executive Director), and Ms. Yu Xiaoran (independent non-executive Director). Mr. Yao Liming currently serves as the chairman of the Related Party Transactions Control Committee. The primary duties of the Related Party Transactions Control Committee include but are not limited to:

(I) to confirm the list of related parties and report to the Board of Directors;

(II) to formulate the management system for related party transactions of the Bank, and to clarify the approval procedures for related party transactions of the Bank, and submit the same to the Board of Directors for consideration and approval before implementation;

(III) to be responsible for reviewing major related party transactions of the Bank, focusing on the compliance, fairness, and necessity of the related party transactions, proposing review opinions and submitting the same to the Board of Directors for approval;

(IV) to be responsible for reviewing the annual special report on the overall status of related party transactions, submitting the same to the Board of Directors for consideration and approval, and reporting to the general meetings, and submitting the same to banking regulatory authorities; and

(V) other functions stipulated in the relevant laws and regulations and the Articles of Association of the Bank, and authorized by the Board of Directors.

Consumer Rights and Interests Protection Committee

The Consumer Rights and Interests Protection Committee of the Bank consists of three Directors: Mr. Xu Yong (executive Director), Ms. Tian Tian (non-executive Director), and Mr. Zhao Gen (non-executive Director). Mr. Xu Yong currently serves as the chairman of the Consumer Rights and Interests Protection Committee. The primary duties of the Consumer Rights and Interests Protection Committee include but are not limited to:

(I) to be responsible for formulating strategies, policies, and goals for the protection of consumer rights and interests of the Bank, and implementing the same after approval by the Board of Directors;

(II) to urge senior management to develop, regularly review, and supervise the implementation of measures, procedures, and specific operating procedures for the protection of consumer rights and interests in the banking industry;

(III) to understand the implementation status and existing problems of consumer rights and interests protection work, timely provide corresponding opinions and suggestions to the Board of Directors or senior management, and supervise the effective implementation of consumer rights and interests protection work;

(IV) to be responsible for supervising and evaluating the comprehensiveness, timeliness and effectiveness of the Bank's consumer rights and interests protection work, as well as the relevant performance of duties of the senior management; and

(V) other functions stipulated in the relevant laws and regulations and the Articles of Association of the Bank, and authorized by the Board of Directors.

Board Diversity Policy

To improve the efficiency of the Board of Directors and maintain high standards of corporate governance, the Board of Directors will adopt a board diversity policy ("**Board Diversity Policy**") before the Listing. The Board Diversity Policy contains selection criteria for Board candidates, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service. The final decision will be based on the achievements and contributions of the selected candidates to the Board of Directors.

The Board of Directors of the Bank currently consists of five female Directors and eight male Directors, with a balanced knowledge and skills portfolio, including but not limited to overall business management, finance and accounting, as well as investment and law. The Board of Directors believes that the Board of Directors of the Bank is in line with the Board Diversity Policy.

The Nomination and Remuneration Committee is responsible for overseeing the implementation of the Board Diversity Policy. After the Listing, the Nomination and Remuneration Committee will supervise and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination and Remuneration Committee will also disclose the implementation of the Board Diversity Policy in the corporate governance report every year.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Bank's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on March 25, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Bank or its subsidiaries or any connection with any core connected person of the Bank under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The aggregate amount of fees, salaries, allowance, discretionary bonuses, pension scheme contributions and other benefits in kind (if applicable) paid by the Bank to the Directors and Supervisors for the three years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 were approximately RMB6.45 million, RMB7.03 million, RMB8.12 million and RMB3.84 million, respectively.

The aggregate amount of fees, salaries, allowance, discretionary bonuses, pension scheme contributions and other benefits in kind (if applicable) paid by the Bank to the five highest paid individuals for the three years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 were approximately RMB7.62 million, RMB6.85 million, RMB6.47 million and RMB1.84 million, respectively.

No remuneration was paid or payable by the Bank to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Bank or as a compensation for loss of office in respect of the Track Record Period.

For details of remuneration and benefits in kind waived or agreed to be waived by our Directors or Supervisors during the Track Record Period, please refer to Note 11 to the Accountant' Report set out in Appendix I to this Prospectus. Save as disclosed above, no other payments have been paid or are payable by the Bank to our Directors, Supervisors and the five highest paid individuals during the Track Record Period.

According to the Bank's remuneration policy, the Nomination and Remuneration Committee will consider various factors such as the salaries paid by comparable companies, as well as the term of office, obligations, responsibilities, and performance (as the case may be) of the Bank's Directors, Supervisors, and senior management when evaluating the remuneration payable to the Bank's Directors, Supervisors, and related employees. Under the arrangement currently in force, the aggregate remuneration payable to the Directors and Supervisors by the Bank for the year ended December 31, 2024 is estimated to be approximately RMB7.94 million.

COMPLIANCE ADVISOR

The Bank has appointed Maxa Capital Limited as our compliance advisor pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Bank shall consult with the compliance advisor in a timely manner in the following circumstances and seek its advice if necessary:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to shares issues and share repurchases;

(c) where the Bank proposes to use the proceeds from the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry of the Bank regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

According to Rule 19A.06 of the Listing Rules, our compliance advisor will promptly notify us of any amendments or supplements to the Listing Rules published by the Stock Exchange. Our compliance advisor will also inform us of any amendments or supplements to applicable laws and guidelines.

The term of the appointment of the compliance advisor shall commence on the Listing Date and end on the date on which the Bank distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), the share capital of our Bank will comprise 3,900,000,000 Domestic Unlisted Shares and 688,400,000 H Shares, representing approximately 85.0% and 15.0% of the total share capital of the Bank, respectively.

To the best of our Directors' knowledge and information, immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), the following persons will have interests or short positions in our Shares or underlying Shares of the Bank which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Bank.

Name of shareholder	Nature of interest	Number and Class of Shares	Approximate Percentage of Shareholding in the Relevant Class of Shares immediately after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
			(%)	*(%)*
Sichuan Yibin Wuliangye Group Co., Ltd.	Beneficial owner	779,610,000 Domestic Unlisted Shares	19.99	16.99
Yibin Development Holding Group Co., Ltd.(1)	Interest in controlled corporation	779,610,000 Domestic Unlisted Shares	19.99	16.99
Yibin Municipal Finance Bureau	Beneficial owner	779,481,723 Domestic Unlisted Shares	19.987	16.988
Yibin Cuiping District Finance Bureau	Beneficial owner	779,220,000 Domestic Unlisted Shares	19.98	16.98
Yibin Nanxi District Finance Bureau	Beneficial owner	660,699,908 Domestic Unlisted Shares	16.94	14.40

Note:

(1) Sichuan Yibin Wuliangye Group Co., Ltd. is wholly-owned by Yibin Development Holding Group Co., Ltd., therefore, Yibin Development Holding Group Co., Ltd. is deemed to be interested in all the Shares held by Sichuan Yibin Wuliangye Group Co., Ltd. for the purpose of the SFO. Yibin Development Holding Group Co., Ltd. is directly held by the State-owned Assets Supervision and Administration Commission of Yibin and Department of Finance of Sichuan Province as to 90% and 10%, respectively.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix VII – Statutory and General Information – 3. Further Information about our Directors, Supervisors and Substantial Shareholders – B. Substantial Shareholders – (b) Interest in our Bank's Subsidiaries".

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in Shares or underlying Shares of the Bank, 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 will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Bank.

SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the issued share capital of our Bank was RMB3,900,000,000, divided into 3,900,000,000 Domestic Unlisted Shares with a nominal value of RMB1.00 each.

Upon the Completion of the Global Offering

Assuming the Over-allotment Option is not exercised, the issued share capital of our Bank immediately after the Global Offering will be as follows:

Description of Shares	Number of Shares	Percentage
Domestic Unlisted Shares	3,900,000,000	85.0%
H Shares to be issued pursuant to the Global Offering	688,400,000	15.0%
Total	**4,588,400,000**	**100.0%**

Assuming the Over-allotment Option is exercised in full, the share capital of the Bank immediately after the Global Offering will be as follows:

Description of Shares	Number of Shares	Percentage
Domestic Unlisted Shares	3,900,000,000	83.1%
H Shares to be issued pursuant to the Global Offering	791,660,000	16.9%
Total	**4,691,660,000**	**100.0%**

DOMESTIC UNLISTED SHARES AND H SHARES

Upon the completion of the Global Offering, the Shares will consist of Domestic Unlisted Shares and H Shares. Domestic Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Bank.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Unlisted Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

Our Domestic Unlisted Shares are not listed or traded on any stock exchange. The holders of our Domestic Unlisted Shares may convert their Shares into H Shares provided such conversion shall have gone through requisite internal approval processes and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have been filed with the securities regulatory authorities of the State Council, including the CSRC. The listing of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange.

Based on the procedures for the conversion of our Domestic Unlisted Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Domestic Unlisted Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After receiving the approval of the Hong Kong Stock Exchange for the conversion of Domestic Unlisted Shares into H Shares, the following procedures will need to be completed: the relevant Domestic Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

PRC Company Law provides that in relation to the public offering of a company, the shares issued by a company prior to the public offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Bank prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date. The Bank shall continue to post prospectus on its website after the completion of the Listing of the Bank to inform domestic shareholders the prohibition of share transfer.

Our Directors, Supervisors and members of the senior management shall declare their shareholdings in our Bank and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Bank. The Shares that the aforementioned persons held in our Bank cannot be transferred within one year from the date on which the Shares are listed and traded on a stock exchange, nor within half a year after they leave their positions in our Bank. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of the senior management.

Pursuant to section 2 of paragraph (3) of Article 2 of the Notice on the Regulation of Internal Staff Shares in Financial Enterprises (《關於規範金融企業內部職工持股的通知》), for the regulation of the listing and circulation of internal staff shares and the strengthening of the management of secondary market circulation of such, a financial enterprise (which is listed or will be listed in the future) shall take steps to regulate the secondary market circulation of its internal staff shares which are held by its senior management, or individuals holding more than 50,000 internal staff shares. The aforementioned members of the senior management and individuals shall undertake not to transfer the shares held by them within three years from the date of listing of the financial enterprise. After the lapse of the lock-up period, the shares transferred by each of them in each year shall not exceed 15% of their respective total shareholdings in the financial enterprise. The aggregate number of shares transferred by them within five years of the lapse of the lock-up period shall not exceed 50% of their respective total shareholdings in the financial enterprise. Apart from the six-month lockup on our Bank's issue of Shares and the 12-month lock-up on controlling shareholders' disposal of shares, the laws of Hong Kong do not provide for restrictions related to shareholding volume or share transfers.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting is required, please see subsections headed "Appendix VI – Summary of the Articles of Association".

You should read the discussion and analysis set forth in this section in conjunction with our historical financial information, together with the accompanying notes included in Appendix I attached to this Prospectus. Our historical financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Prospectus, including, but not limited to, "Risk Factors," "Forward-Looking Statements," and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to the financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

ASSETS

As of December 31, 2021, 2022 and 2023 and June 30, 2024, the principal components of our total assets consisted of (i) net loans and advances to customers; and (ii) net financial investments. Our total assets increased by 17.4% from RMB68,490.4 million as of December 31, 2021 to RMB80,413.3 million as of December 31, 2022, then increased by 16.2% to RMB93,444.0 million as of December 31, 2023, and further increased by 7.2% to RMB100,192.8 million as of June 30, 2024. The increase in our total assets during the Track Record Period was primarily attributable to increases in (i) our loans and advances to customers; and (ii) financial investments.

The following table sets forth the components of our total assets as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Gross loans and advances to customers[1]	35,432.7	51.7	43,666.5	54.3	51,391.5	55.0	54,820.3	54.7
Accrued interest	128.2	0.2	293.0	0.4	351.7	0.4	312.7	0.3

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
ECL allowance	(1,595.1)	(2.3)	(1,648.6)	(2.1)	(2,368.3)	(2.5)	(2,407.2)	(2.4)
Net loans and advances to customers	33,965.8	49.6	42,310.9	52.6	49,374.9	52.9	52,725.7	52.6
Gross financial investments(2)	21,548.2	31.5	23,896.7	29.8	29,670.6	31.7	33,567.0	33.5
Interest accrued	207.8	0.3	270.6	0.3	327.7	0.4	214.5	0.2
Allowance for impairment losses(3)	(1.8)	–	–	–	–	–	–	–
Net financial investments	21,754.2	31.8	24,167.3	30.1	29,998.3	32.1	33,781.5	33.7
– Fair value through other comprehensive income	11,759.0	17.2	10,136.0	12.6	15,945.9	17.1	20,395.4	20.4
– Fair value through profit or loss	4,513.5	6.6	6,223.7	7.7	6,268.8	6.7	6,795.2	6.8
– Amortized cost	5,481.6	8.0	7,807.5	9.7	7,783.6	8.3	6,590.9	6.6
Financial assets held under resale agreements, due from other banks and other financial institutions	4,118.1	6.0	6,527.6	8.2	5,600.6	6.0	6,506.4	6.5
Cash and balances with central bank	6,871.1	10.0	5,586.5	6.9	6,577.0	7.0	5,290.1	5.3
Deferred tax assets	928.7	1.4	1,060.7	1.3	1,114.6	1.2	1,122.6	1.1
Property, plant and equipment	379.3	0.6	344.6	0.5	335.2	0.4	324.9	0.3
Right-of-use assets	28.5	0.0	26.4	0.0	32.2	0.0	27.7	0.0
Other assets	444.6	0.6	389.3	0.5	411.2	0.4	413.9	0.4
Total assets	68,490.4	100.0	80,413.3	100.0	93,444.0	100.0	100,192.8	100.0

Note:

(1) For purposes of this Prospectus, the gross loans and advances to customers refer to the amount calculated by adding back the ECL allowance and excluding accrued interest to net loans and advances to customers.

(2) For purpose of this Prospectus, the gross financial investments refer to the amount calculated by adding back the ECL allowance and excluding accrued interest to net financial investments.

(3) The amount only includes allowance for impairment losses on financial investments measured at amortized cost. Allowance for impairment losses on financial investments measured at fair value through other comprehensive income is recognized in the "other comprehensive income," which does not affect the book value of financial investments reported in our statement of financial position. As of December 31, 2021, 2022, 2023 and June 30, 2024, the allowance for impairment losses on financial investments measured at fair value through other comprehensive income recognized in the other comprehensive income was RMB12.4 million, RMB249.9 million, RMB306.1 million and RMB339.1 million, respectively.

Loans and Advances to Customers

We provide a broad range of loan products to our customers. See "Business – Our Principal Business Lines." All of our loans and advances to customers are denominated in Renminbi. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our net loans and advances to customers accounted for 49.6%, 52.6%, 52.9% and 52.6% of our total assets, respectively.

Except as otherwise indicated, the following discussions are based on our gross loans and advances to customers before ECL allowance, rather than net loans and advances to customers. Our loans and advances to customers are reported net of ECL allowance on our statement of financial position.

Our gross loans and advances to customers increased by 23.2% from RMB35,432.7 million as of December 31, 2021 to RMB43,666.5 million as of December 31, 2022, then increased by 17.7% to RMB51,391.5 million as of December 31, 2023, and further increased by 6.7% to RMB54,820.3 million as of June 30, 2024, primarily due to the continued growth of our corporate loan business. Our ECL allowance on loans and advances to customers increased by 3.4% from RMB1,595.1 million as of December 31, 2021 to RMB1,648.6 million as of December 31, 2022, and further increased by 43.7% to RMB2,368.3 million as of December 31, 2023, primarily attributable to our increased loan scale as a result of our strengthened efforts to broaden our customer base and expand lending activities. Our ECL allowance on loans and advances to customers remained relatively stable at RMB2,368.3 million as of December 31, 2023 and RMB2,407.2 million as of June 30, 2024. For detailed discussion of our ECL allowance, see "– ECL Allowance on Loans and Advances to Customers."

Distribution of Loans and Advances to Customers by Business Line

Our loans and advances to customers consisted of corporate loans, personal loans, discounted bills and rediscounted bills. The following table sets forth the distribution of our loans and advances to customers by business lines as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Loans and advances to customers at amortized cost								
– Corporate loans	28,037.8	79.2	34,485.5	79.0	39,162.2	76.2	41,905.5	76.4
– Personal loans	5,712.7	16.1	5,012.6	11.5	4,917.1	9.6	4,911.0	9.0

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Loans and advances to customers at fair value through other comprehensive income								
– Discounted bills	432.3	1.2	304.0	0.7	482.2	0.9	680.3	1.2
– Rediscounted bills	1,249.9	3.5	3,864.4	8.8	6,830.0	13.3	7,323.5	13.4
Gross loans and advances to customers	35,432.7	100.0	43,666.5	100.0	51,391.5	100.0	54,820.3	100.0

Corporate Loans

Corporate loans were the largest component of our loan portfolio during the Track Record Period, representing 79.2%, 79.0%, 76.2% and 76.4% of our gross loans and advances to customers as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our corporate loans increased by 23.0% from RMB28,037.8 million as of December 31, 2021 to RMB34,485.5 million as of December 31, 2022, then increased by 13.6% to RMB39,162.2 million as of December 31, 2023, and further increased by 7.0% to RMB41,905.5 million as of June 30, 2024. The continued increase in our corporate loans during the Track Record Period was primarily driven by (i) our continuous efforts in developing and diversifying corporate loan products; (ii) our expanding corporate banking customer base and market demand as a result of the economic growth in the regions where we operate; and (iii) our strengthened marketing efforts for our corporate banking business.

Distribution of Corporate Loans by Maturity

The majority of our corporate loans was medium- to long-term loans with a maturity of more than one year. The following table sets forth the distribution of our corporate loans by maturity as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Short-term loans(1)	9,346.4	33.3	11,166.9	32.4	9,185.1	23.5	13,397.6	32.0
Medium- to long-term loans(2)	18,691.4	66.7	23,318.6	67.6	29,977.1	76.5	28,507.9	68.0
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Notes:

(1) Refers to loans with a maturity of one year or less.

(2) Refers to loans with a maturity of more than one year.

Short-term loans accounted for 33.3%, 32.4%, 23.5% and 32.0% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

Medium- to long-term loans accounted for 66.7%, 67.6%, 76.5% and 68.0% of our corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The maturity structure of our corporate loans remained relatively stable in 2021 and 2022. Medium- to long-term loans as a percentage of our total corporate loans increased from 67.6% as of December 31, 2022 to 76.5% as of December 31, 2023, primarily due to our increased loan disbursement for infrastructure construction with relatively long maturities. Medium- to long-term loans as a percentage of our total corporate loans decreased from 76.5% as of December 31, 2023 to 68.0% as of June 30, 2024, primarily due to the installment repayment of certain medium- to long-term loans and our increased loan disbursement with relatively short maturities.

Distribution of Corporate Loans by Product Type

Our corporate loans primarily comprise working capital loans, fixed asset loans and other corporate loans. See "Business – Our Principal Business Lines – Corporate Banking – Corporate Loans – Distribution of Corporate Loans by Product Type." The following table sets forth the distribution of our corporate loans by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Working capital loans	17,222.1	61.4	20,065.2	58.2	22,111.5	56.5	23,661.3	56.4
Fixed asset loans	10,650.7	38.0	14,265.3	41.4	16,976.6	43.3	18,175.4	43.4
Others(1)	165.0	0.6	155.0	0.4	74.1	0.2	68.8	0.2
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Note:

(1) Represented merger and acquisition loans.

Working capital loans accounted for 61.4%, 58.2%, 56.5% and 56.4% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our working capital loans increased by 16.5% from RMB17,222.1 million as of December 31, 2021 to RMB20,065.2 million as of December 31, 2022, then increased by 10.2% to RMB22,111.5 million as of December 31, 2023, and further increased by 7.0% to RMB23,661.3 million as of June 30, 2024. The continued increase in our working capital loans was primarily due to the mounting demands from a growing customer base as a result of our continued credit support to small and micro enterprises as well as individual business owners to better serve the real economy.

Fixed asset loans accounted for 38.0%, 41.4%, 43.3% and 43.4% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our fixed asset loans increased by 33.9% from RMB10,650.7 million as of December 31, 2021 to RMB14,265.3 million as of December 31, 2022, then increased by 19.0% to RMB16,976.6 million as of December 31, 2023, and further increased by 7.1% to RMB18,175.4 million as of June 30, 2024. The continued increase in our fixed asset loans was primarily due to our increased support for rural and urban development to contribute to the real economy and the development of local enterprises.

Our other corporate loans represented merger and acquisition loans, which accounted for 0.6%, 0.4%, 0.2% and 0.2% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our other corporate loans decreased by 6.1% from RMB165.0 million as of December 31, 2021 to RMB155.0 million as of December 31, 2022, then decreased by 52.2% to RMB74.1 million as of December 31, 2023, and further decreased by 7.2% to RMB68.8 million as of June 30, 2024. The continued decrease in our other corporate loans was primarily due to the repayment of such loans following the loan disbursement.

Distribution of Corporate Loans by Industry

Our corporate loans consisted of loans and advances to corporate banking customers in a broad range of industries. The following table sets forth the distribution of our corporate loans by industry as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Wholesale and retail trade	6,427.0	22.9	7,358.0	21.3	9,328.7	23.9	10,652.1	25.4
Construction	6,279.4	22.4	7,969.5	23.1	8,564.6	22.0	8,345.4	19.9
Manufacturing	3,766.7	13.4	3,681.9	10.7	4,203.1	10.7	4,441.5	10.6
Renting and business activities	3,081.3	11.0	3,174.4	9.2	3,456.4	8.8	3,573.2	8.5
Agriculture, forestry, animal husbandry and fishery	608.6	2.2	1,810.0	5.2	2,698.4	6.9	3,021.3	7.2
Education	2,500.4	8.9	2,718.3	7.9	2,574.6	6.6	2,793.2	6.7
Water, environment and public facilities management	1,478.6	5.3	2,568.6	7.4	2,625.3	6.7	2,551.2	6.1
Real estate	1,061.2	3.8	1,575.1	4.6	2,008.2	5.1	2,125.2	5.1
Electricity, heat, gas and water production and supply	231.6	0.8	842.1	2.4	824.5	2.1	1,213.6	2.9
Others(1)	2,603.0	9.3	2,787.6	8.2	2,878.4	7.2	3,188.8	7.6
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Note:

(1) For details of other industries, see Note 3.1.6(e) of Appendix I to this Prospectus.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our corporate loans were primarily granted to customers in industries including wholesale and retail trade, construction and manufacturing.

Our corporate loans to customers in the wholesale and retail trade industry accounted for 22.9%, 21.3%, 23.9% and 25.4% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our corporate loans to customers in the wholesale and retail trade industry increased by 14.5% from RMB6,427.0 million as of December 31, 2021 to RMB7,358.0 million as of December 31, 2022, then increased by 26.8% to RMB9,328.7 million as of December 31, 2023, and further increased by 14.2% to RMB10,652.1 million as of June 30, 2024. The continued increase in our corporate loans to customers in the wholesale and retail industry was primarily due to our enhanced effort in extending credit support to small and micro enterprises.

Our corporate loans to customers in the construction industry accounted for 22.4%, 23.1%, 22.0% and 19.9% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our corporate loans to customers in the construction industry increased by 26.9% from RMB6,279.4 million as of December 31, 2021 to RMB7,969.5 million as of December 31, 2022, and further increased by 7.5% to RMB8,564.6 million as of December 31, 2023, primarily due to our increased loan disbursements to the construction industry in support of urban renovation and development. Our corporate loans to customers in the construction industry remained relatively stable at RMB8,564.6 million as of December 31, 2023 and RMB8,345.4 million as of June 30, 2024.

Our corporate loans to customers in the manufacturing industry accounted for 13.4%, 10.7%, 10.7% and 10.6% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our corporate loans to customers in the manufacturing industry remained relatively stable at RMB3,766.7 million as of December 31, 2021 and RMB3,681.9 million as of December 31, 2022. Our corporate loans to customers in the manufacturing industry increased by 14.2% from RMB3,681.9 million as of December 31, 2022 to RMB4,203.1 million as of December 31, 2023, and further increased by 5.7% to RMB4,441.5 million as of June 30, 2024, primarily due to our enhanced efforts in extending credit support to manufacturing enterprises in industrial clusters such as liquor, chemical and textile sectors.

Distribution of Corporate Loans by Size of Customers

We offer corporate loans to customers of all sizes. The following table sets forth the distribution of our corporate loans by the size of corporate banking customers as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Large enterprises[(1)]	2,595.5	9.3	2,548.5	7.4	2,576.3	6.6	3,092.0	7.4
Medium enterprises[(1)]	6,785.8	24.2	7,298.0	21.2	7,135.5	18.2	7,196.0	17.2
Small enterprises[(1)]	13,502.2	48.2	16,592.3	48.1	18,543.8	47.4	20,090.7	47.9
Micro enterprises[(1)]	5,154.3	18.3	8,046.7	23.3	10,906.6	27.8	11,526.8	27.5
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Note:

(1) The classification criteria for large, medium, small and micro enterprises are set forth in the Measures for Classification of Micro, Small, Medium and Large Enterprises for Statistical Purposes. See "Definition and Technical Terms."

Our corporate loans to small and micro enterprises accounted for 66.5%, 71.4%, 75.2% and 75.4% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our loans to small and micro enterprises increased by 32.1% from RMB18,656.4 million as of December 31, 2021 to RMB24,639.0 million as of December 31, 2022, then increased by 19.5% to RMB29,450.4 million as of December 31, 2023, and further increased by 7.4% to RMB31,617.5 million as of June 30, 2024. The continued increase in our corporate loans to small and micro enterprises was primarily due to our enhanced effort in extending credit support for small and micro enterprises to support the development of local real economy. See "Business – Our Principal Business Lines – Corporate Banking – Corporate Loans – Distribution of Corporate Loans by Size of Customers – Loans to Small and Micro Enterprises."

Our corporate loans to large and medium enterprises accounted for 33.5%, 28.6%, 24.8% and 24.6% of our total corporate loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our loans to large and medium enterprises remained relatively stable at RMB9,381.4 million as of December 31, 2021, RMB9,846.5 million as of December 31, 2022 and RMB9,711.8 million as of December 31, 2023. Our loans to large and medium enterprises increased by 5.9% from RMB9,711.8 million as of December 31, 2023 to RMB10,288.0 million as of June 30, 2024, primarily due to our continuous loan disbursement to industry-leading large enterprises.

Distribution of Corporate Loans by Exposure Size

The following table sets forth the distribution of our corporate loans by exposure size as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Over RMB100 million	9,555.0	34.0	13,804.1	40.0	23,376.0	59.7	25,238.0	60.2
Over RMB50 million to RMB100 million (inclusive)	4,081.6	14.6	4,641.2	13.5	3,153.5	8.1	3,594.5	8.6
Over RMB10 million to RMB50 million (inclusive)	6,888.6	24.6	6,782.5	19.7	4,519.5	11.5	4,495.1	10.7
Over RMB5 million to RMB10 million (inclusive)	4,046.1	14.4	5,442.3	15.8	5,302.6	13.5	5,564.3	13.3
Up to RMB5 million	3,466.5	12.4	3,815.4	11.0	2,810.6	7.2	3,013.6	7.2
Total corporate loans	28,037.8	100.0	34,485.5	100.0	39,162.2	100.0	41,905.5	100.0

Personal Loans

Personal loans represented 16.1%, 11.5%, 9.6% and 9.0% of our gross loans and advances to customers as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our personal loans decreased by 12.3% from RMB5,712.7 million as of December 31, 2021 to RMB5,012.6 million as of December 31, 2022, primarily due to the settlement of offsite internet loans in accordance with relevant regulatory requirements. See "Regulatory Overview – Regulation on Principal Commercial Banking Activities – Internet Finance." Our personal loans remained relatively stable at RMB5,012.6 million as of December 31, 2022, RMB4,917.1 million as of December 31, 2023 and RMB4,911.0 million as of June 30, 2024.

Distribution of Personal Loans by Product Type

Our personal loans primarily comprised personal business loans, residential mortgage loans and personal consumption loans. See "Business – Our Principal Business Lines – Retail Banking – Personal Loans – Distribution of Personal Loans by Product Type." The following table sets forth the distribution of our personal loans by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Personal business loans	2,892.2	50.6	2,143.6	42.8	2,121.4	43.2	2,029.6	41.3
Residential mortgage loans	2,232.5	39.1	2,072.5	41.3	1,944.1	39.5	1,841.6	37.5
Personal consumption loans	588.0	10.3	796.5	15.9	851.6	17.3	1,039.8	21.2
Total personal loans	5,712.7	100.0	5,012.6	100.0	4,917.1	100.0	4,911.0	100.0

Personal business loans accounted for 50.6%, 42.8%, 43.2% and 41.3% of our total personal loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our personal business loans decreased by 25.9% from RMB2,892.2 million as of December 31, 2021 to RMB2,143.6 million as of December 31, 2022, primarily due to the continuous settlement of our offsite internet loans in accordance with relevant regulatory requirements. See "Regulatory Overview – Regulation on Principal Commercial Banking Activities – Internet Finance." Our personal business loans remained relatively stable at RMB2,143.6 million as of December 31, 2022, RMB2,121.4 million as of December 31, 2023 and RMB2,029.6 million as of June 30, 2024.

Residential mortgage loans accounted for 39.1%, 41.3%, 39.5% and 37.5% of our total personal loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our residential mortgage loans decreased by 7.2% from RMB2,232.5 million as of December 31, 2021 to RMB2,072.5 million as of December 31, 2022, then decreased by 6.2% to RMB1,944.1 million as of December 31, 2023, and further decreased by 5.3% to RMB1,841.6 million as of June 30, 2024. The continued decrease in our residential mortgage loans was primarily affected by the fluctuations in the real estate market.

Personal consumption loans accounted for 10.3%, 15.9%, 17.3% and 21.2% of our total personal loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our personal consumption loans increased by 35.5% from RMB588.0 million as of December 31, 2021 to RMB796.5 million as of December 31, 2022, then increased by 6.9% to RMB851.6 million as of December 31, 2023, and further increased by 22.1% to RMB1,039.8 million as of June 30, 2024. The continued increase in our personal consumption loans was primarily driven by the continuous diversification of our personal loan product portfolio and the corresponding increase in personal consumption loan disbursement. See "Business – Our Principal Business Lines – Retail Banking – Personal Loans."

Distribution of Personal Loans by Exposure Size

A majority of our personal loans were at the exposure size of between RMB100,000 and RMB500,000, which accounted for 61.9%, 58.8%, 55.5% and 45.6% of our total personal loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The following table sets forth the distribution of our personal loans by exposure size as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Over RMB5 million	80.8	1.4	88.6	1.8	84.7	1.7	207.9	4.2
Over RMB500,000 to RMB5 million (inclusive)	1,757.3	30.8	1,576.6	31.5	1,703.8	34.7	2,164.2	44.1
Over RMB100,000 to RMB500,000 (inclusive)	3,538.0	61.9	2,948.7	58.8	2,731.1	55.5	2,238.7	45.6
Up to RMB100,000	336.6	5.9	398.8	8.0	397.5	8.1	300.2	6.1
Total personal loans	5,712.7	100.0	5,012.6	100.0	4,917.1	100.0	4,911.0	100.0

Discounted Bills and Rediscounted Bills

All of our discounted bills and rediscounted bills were bank acceptance bills during the Track Record Period, which accounted for 4.7%, 9.5%, 14.2% and 14.6% of our gross loans and advances to customers as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

Our discounted bills and rediscounted bills increased significantly from RMB1,682.2 million as of December 31, 2021 to RMB4,168.4 million as of December 31, 2022, then increased by 75.4% to RMB7,312.2 million as of December 31, 2023, and further increased by 9.5% to RMB8,003.8 million as of June 30, 2024, corresponding with our business growth. Our discounted bills and rediscounted bills as a percentage of our gross loans and advances increased from 4.7% as of December 31, 2021 to 9.5% as of December 31, 2022, then increased to 14.2% as of December 31, 2023, and further increased to 14.6% as of June 30, 2024, primarily due to the heightened market demand for liquidity as affected by market condition.

Distribution of Corporate and Personal Loans by Region

We classify corporate and personal loans by the geographic location of our customers. The following table sets forth the distribution of our corporate and personal loans by region as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Sichuan	29,174.2	86.4	35,848.3	90.8	41,355.4	93.8	44,176.9	94.5
– Yibin	17,819.7	52.8	23,160.8	58.7	27,678.5	62.7	29,666.7	63.5
– Chengdu	4,769.1	14.1	5,498.2	13.9	5,766.7	13.1	5,918.1	12.7
– Neijiang	4,139.6	12.3	4,599.7	11.6	4,923.9	11.2	4,787.8	10.2
– Others(1)	2,445.8	7.2	2,589.6	6.6	2,986.3	6.8	3,804.3	8.1
Hubei	2,296.9	6.8	2,236.6	5.7	1,036.8	2.4	1,017.0	2.2
Zhejiang	39.7	0.1	32.6	0.1	459.0	1.0	460.0	1.0
Chongqing	431.0	1.3	470.1	1.2	442.3	1.0	478.4	1.0
Guangdong	396.5	1.2	334.4	0.8	308.9	0.7	304.0	0.6
Beijing	427.8	1.3	245.2	0.6	226.1	0.5	185.3	0.4
Others(2)	984.4	2.9	330.9	0.8	250.8	0.6	194.9	0.3
Gross corporate and personal loans	33,750.5	100.0	39,498.1	100.0	44,079.3	100.0	46,816.5	100.0

Notes:

(1) Primarily comprise Dazhou, Zigong, Suining and Bazhong.

(2) Primarily comprise Yunnan, Jiangsu, Henan and Shandong.

We primarily extended corporate and personal loans to customers in Yibin. Our corporate and personal loans disbursed to customers in Yibin accounted for 52.8%, 58.7%, 62.7% and 63.5% of our gross corporate and personal loans as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our corporate and personal loans extended to customers in Yibin as a percentage of our gross corporate and personal loans increased from 52.8% as of December 31, 2021 to 58.7% as of December 31, 2022, then increased to 62.7% as of December 31, 2023, and further increased to 63.5% as of June 30, 2024. The continued increase in our corporate and personal loans extended to customers in Yibin as a percentage of our gross corporate and personal loans was primarily driven by our continuous efforts in developing products that closely align with the local industrial and economic development to meet the financing needs of local customers. See "Business – Our Competitive Strengths – Integration with the Thriving Local Economy in Yibin, Sichuan Province, Entailing Significant Growth Potential."

Distribution of Corporate and Personal Loans by Type of Security Interest

A significant amount of our corporate and personal loans was secured by pledges, collateral or guarantees during the Track Record Period. The following table sets forth the distribution of our corporate and personal loans by type of security interest as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Pledged loans[(1)(2)]	5,016.6	14.9	6,565.0	16.6	8,218.0	18.6	8,983.1	19.2
Collateralized loans[(1)(3)]	15,735.0	46.6	16,895.1	42.8	18,338.5	41.6	19,343.7	41.3
Guaranteed loans[(1)]	11,113.9	32.9	14,846.5	37.6	16,300.4	37.0	16,951.5	36.2
Unsecured loans	1,885.0	5.6	1,191.5	3.0	1,222.4	2.8	1,538.2	3.3
Gross corporate and personal loans	33,750.5	100.0	39,498.1	100.0	44,079.3	100.0	46,816.5	100.0

Notes:

(1) Represent the total amount of fully or partially secured corporate and personal loans in each category. If a corporate or personal loan is secured by more than one form of security interest, the classification is based on the primary form of security interest.

(2) Represent loans with security interests created over tangible or intangible assets by taking possession of such assets.

(3) Represent loans with security interests created over tangible or intangible assets without taking possession.

We generally require our security interests pertaining to pledged or collateralized loans to be sufficient to cover the principal and interest of the corresponding secured loans. We follow our internal policies and procedures in determining the maximum loan-to-value ratio for each loan on a case-by-case basis. During the Track Record Period, we maintained a record for the aggregate loan-to-value ratio of our pledged and collaboralized loans as some loans were secured by both methods. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our aggregate loan-to-value ratio of pledged and collateralized loans was 33.56%, 32.85%, 32.21% and 33.21%, respectively, calculated by dividing the carrying amount of loans by the value of collateral and pledges. See Note 3.1.3 of Appendix I to this Prospectus for details of our maximum loan-to-value ratio requirements for principal types of collateral and pledges securing our corporate and personal loans.

Our secured corporate and personal loans (including those secured by pledges, collateral or guarantees) amounted to RMB31,865.6 million, RMB38,306.6 million, RMB42,856.9 million and RMB45,278.3 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, accounting for 94.4%, 97.0%, 97.2% and 96.7% of our gross corporate and personal loans as of the same respective dates. Our secured corporate and personal loans as a percentage of our gross corporate and personal loans remained nearly or above 95.0% during the Track Record Period, reflecting our prudent management over loan recoverability while propelling the growth of our corporate and personal loan businesses.

Our unsecured loans amounted to RMB1,885.0 million, RMB1,191.5 million, RMB1,222.4 million and RMB1,538.2 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, accounting for 5.6%, 3.0%, 2.8% and 3.3% of our gross corporate and personal loans as of the same respective dates. Our unsecured loans as a percentage of our gross corporate and personal loans remained nearly or below 5.0%, primarily attributed to our stringent risk management.

Borrower Concentration

In accordance with applicable PRC banking guidelines, the loan balance of any single non-peer borrower is subject to a limit of 10% of our net capital. The following table sets forth the loan balance of our ten largest single non-peer borrowers as of June 30, 2024:

	As of June 30, 2024												
	Industry of the borrowers	Place of incorporation	Nature	Operational scale	Amount	% of total gross loans and advances to customers	% of net capital[1]	Loan classification	Security interest[2]	Value of security interests[3]	Coverage Ratio[4]	ECL allowance	Year of commencement of business relationship with us
					(RMB in millions)	*(%)*	*(%)*			*(RMB in millions)*	*(%)*	*(RMB in millions)*	
Borrower A[5]	Construction; electricity, heat, gas and water production and supply;	Yibin	State-owned	Small enterprise	754.1	1.4	7.4	Normal	Pledge	1,456.1	193.1	18.4	2009
Borrower B	Wholesale and retail trade	Yibin	State-owned	Micro enterprise	722.9	1.3	7.1	Normal	Pledge	770.6	106.6	13.4	2023
Borrower C[6]	Agriculture, forestry, animal husbandry and fishery; construction	Yibin	State-owned	Small enterprise	641.0	1.2	6.3	Normal	Guarantee	N/A	N/A	26.0	2016
Borrower D	Construction	Zigong	State-owned	Large enterprise	499.0	0.9	4.9	Normal	Guarantee	N/A	N/A	10.8	2023
Borrower E[7]	Renting and business activities; construction	Yibin	State-owned	Small enterprise	495.0	0.9	4.9	Normal	Collateral and guarantee	112.0	22.6	12.2	2019
Borrower F	Construction	Chengdu	Private	Micro enterprise	490.0	0.9	4.8	Normal	Collateral	996.0	203.3	7.0	2021
Borrower G[8]	Agriculture, forestry, animal husbandry and fishery	Yibin	State-owned	Micro enterprise	490.0	0.9	4.8	Normal	Guarantee	N/A	N/A	20.0	2022

	As of June 30, 2024												
	Industry of the borrowers	Place of incorporation	Nature	Operational scale	Amount	% of total gross loans and advances to customers	% of net capital[(1)]	Loan classification	Security interest[(2)]	Value of security interests[(3)]	Coverage Ratio[(4)]	ECL allowance	Year of commencement of business relationship with us
					(RMB in millions)	*(%)*	*(%)*			*(RMB in millions)*	*(%)*	*(RMB in millions)*	
Borrower H	Manufacturing	Yibin	Private	Small enterprise	465.0	0.8	4.6	Normal	Collateral and guarantee	127.5	27.4	12.2	2022
Borrower I[(9)]	Construction	Yibin	State-owned	Micro enterprise	430.0	0.8	4.2	Normal	Collateral	396.1	92.1	6.1	2017
Borrower J[(10)]	Construction	Yibin	State-owned	Small enterprise	400.0	0.7	3.9	Normal	Guarantee	N/A	N/A	8.6	2021
Total					5,387.0	9.8	52.9					134.7	

Notes:

(1) Represents loan balances as a percentage of our net capital, calculated in accordance with the requirements of the National Financial Supervision and Administration Commission Order No. 4 of 2023 (《商業銀行資本管理辦法》(國家金融監督管理總局令2023年第4號)) and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our net capital as of June 30, 2024, see "Financial Information – Capital Resources – Capital Adequacy."

(2) There was no co-guarantee or cross-guarantee among our ten largest single non-peer borrowers as of June 30, 2024.

(3) Represents the value of underlying pledges or collaterals for the loans primarily secured by pledges or collaterals.

(4) Calculated by dividing the value of underlying pledges or collaterals by the outstanding loans which were primarily secured by pledges or collaterals. The coverage ratio for certain borrowers was lower than 100.0%, mainly because a portion of loans granted to the these borrowers was secured by guarantees, in addition to pledges or collaterals.

(5) Borrower A is a member of Group E, one of our ten largest single non-peer group customers as of June 30, 2024.

(6) Borrower C is a member of Group H, one of our ten largest single non-peer group customers as of June 30, 2024.

(7) Borrower E is a member of Group I, one of our ten largest single non-peer group customers as of June 30, 2024.

(8) Borrower G is a member of Group F, one of our ten largest single non-peer group customers as of June 30, 2024.

(9) Borrower I is a member of Group G, one of our ten largest single non-peer group customers as of June 30, 2024. We experienced a delay of five days in repayment of principal from Borrower I during the Track Record Period, primarily due to Borrower I's delay in transferring its funds to its designated repayment account. As of the Latest Practicable Date, Borrower I had fully repaid all overdue principal. Save for the foregoing isolated incident, we had not experienced any delay or default from Borrower I during the Track Record Period and up the Latest Practicable Date. Our loans granted to Borrower I were classified as normal as of June 30, 2024 in accordance our internal control policies and regulatory requirements, as the five-day delay incident was not attributable to any adverse change to Borrower I's repayment capability, and we identified no indicator to doubt Borrower I's ability to repay principal and interest in full on a timely basis.

(10) Borrower J is a member of Group B, one of our ten largest single non-peer group customers as of June 30, 2024.

In accordance with applicable PRC banking guidelines, our risk exposure to any single non-peer group customer is subject to a limit of 20% of our net tier-one capital. The following table sets forth our risk exposure to our ten largest single non-peer group customers as of June 30, 2024.

As of June 30, 2024

	Industry of the group customers	Nature	Operational scale(1)	Risk exposure(2)	Type of Business	Loan balance	Off-balance sheet credit amounts	% of net tier-one capital(3)	Loan classification	Security interest(4)	Value of securities interests(5)	Coverage Ratio(6)	ECL allowance	Year of commencement of business relationship with us
				(RMB in millions)		*(RMB in millions)*	*(RMB in millions)*	*(%)*			*(RMB in millions)*	*(%)*	*(RMB in millions)*	
Group A	Manufacturing; wholesale and retail trade	State-owned	Medium enterprise	1,068.5	Loans	1,068.5	–	11.5	Normal	Pledge, collateral or guarantee	720.0	67.4	29.0	2022
Group B(7)	Construction; real estate; renting and business activities; wholesale and retail trade	State-owned	Small enterprise	1,015.0	Loans	1,015.0	–	10.9	Normal	Pledge, collateral or guarantee	494.3	48.7	27.5	2017
Group C(8)	Wholesale and retail trade; renting and business activities; education; agriculture, forestry, animal husbandry and fishery; water, environment and public facilities management; accommodation and catering; real estate	State-owned	Small enterprise	971.9	Loans	971.9	–	10.4	Normal	Pledge, collateral or guarantee	1,035.7	106.6	28.1	2008
Group D	Wholesale and retail trade; manufacturing; education	Private	Large enterprise	881.4	Loans	881.4	–	9.4	Normal	Pledge or guarantee	35.0	4.0	35.7	2020

As of June 30, 2024

	Industry of the group customers	Nature	Operational scale[1]	Risk exposure[2]	Type of Business	Loan balance	Off-balance sheet credit amounts	% of net tier-one capital[3]	Loan classification	Security interest[4]	Value of securities interests[5]	Coverage Ratio[6]	ECL allowance	Year of commencement of business relationship with us
				(RMB in millions)		*(RMB in millions)*	*(RMB in millions)*	*(%)*			*(RMB in millions)*	*(%)*	*(RMB in millions)*	
Group E	Electricity, heat, gas and water production and supply; renting and business activities; water, environment and public facilities management; wholesale and retail trade; mining; construction	State-owned	Small enterprise	810.9	Loans and letters of guarantee	810.9	4.7[9]	8.7	Normal	Pledge, collateral or guarantee	1,466.6	180.9	20.0	2009
Group F[10]	Agriculture, forestry, animal husbandry and fishery; manufacturing; construction; wholesale and retail trade	State-owned	Micro enterprise	779.8	Loans	779.8	–	8.4	Normal	Guarantee	N/A	N/A	26.8	2020
Group G[11]	Construction; renting and business activities; water, environment and public facilities management; electricity, heat, gas and water production and supply; wholesale and retail trade	State-owned	Small enterprise	772.0	Loans	772.0	–	8.3	Normal	Pledge, collateral or guarantee	1,045.3	135.4	15.4	2012

As of June 30, 2024

	Industry of the group customers	Nature	Operational scale[1]	Risk exposure[2]	Type of Business	Loan balance	Off-balance sheet credit amounts	% of net tier-one capital[3]	Loan classification	Security interest[4]	Value of securities interests[5]	Coverage Ratio[6]	ECL allowance	Year of commencement of business relationship with us
				(RMB in millions)		*(RMB in millions)*	*(RMB in millions)*	*(%)*			*(RMB in millions)*	*(%)*	*(RMB in millions)*	
Group H	Agriculture, forestry, animal husbandry and fishery; construction; wholesale and retail trade; scientific research and technology service	State-owned and private	Medium enterprise	695.8	Loans	695.8	–	7.5	Normal	Pledge, collateral or guarantee	95.5	13.7	30.8	2011
Group I[12]	Construction; renting and business activities; agriculture, forestry, animal husbandry and fishery; wholesale and retail trade	State-owned	Medium enterprise	616.4	Loans	616.4	–	6.6	Normal	Pledge, collateral or guarantee	127.9	20.8	15.6	2016
Group J[13]	Electricity, heat, gas and water production and supply; renting and business activities; wholesale and retail trade; transportation, warehousing and express service; construction	State-owned	Medium enterprise	601.3	Loans	601.3	–	6.4	Normal	Pledge, collateral or guarantee	787.6	131.0	21.7	2020
Total				8,213.0		8,213.0	4.7	88.1					250.6	

Notes:

(1) Represents the operational scale of the largest enterprise within the non-peer group customer in terms of operational scale.

(2) Calculated pursuant to the applicable NAFR requirements by (i) adding up all on-balance sheet credit amounts and off-balance sheet credit amounts in respect of each group customer; and (ii) deducting the total amount of security deposits, certificates of deposit and government bonds in respect of each group customer.

(3) Represents risk exposures as a percentage of our net tier-one capital, calculated in accordance with the requirements of the New Capital Management Regulations and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our net tier-one capital as of June 30, 2024, see "Financial Information – Capital Resources – Capital Adequacy."

(4) As of June 30, 2024, a member of Group C acted as a guarantor for loans of certain members of Group E, with the outstanding balance of relevant loans amounting to RMB755.9 million in aggregate, a member of Group E acted as a guarantor for loans of a member of Group C, with the outstanding balance of relevant loans amounting to RMB5.4 million in aggregate, a member of Group I acted as a guarantor for loans of a member of Group F, with the outstanding balance of relevant loans amounting to RMB490.0 million in aggregate, a member of Group I acted as a guarantor for loans of a member of Group H, with the outstanding balance of relevant loans amounting to RMB641.0 million in aggregate, and a member of Group F acted as a guarantor for loans of a member of Group I, with the outstanding balance of relevant loans amounting to RMB13.5 million in aggregate. Save as disclosed above, there was no co-guarantee or cross-guarantee among our ten largest single non-peer group customers as of June 30, 2024. For loan applications involving co-guarantors, we evaluate the creditworthiness of both the primary borrower and the co-guarantor. We conduct a comprehensive risk analysis to assess each guarantor's financial capacity, ensuring their ability to meet obligations without exceeding their financial limits. Our assessment covers factors such as income, assets, liabilities and overall financial stability. Additionally, our legal team reviews the co-guarantee terms to ensure compliance with regulatory requirements and enforceability. Based on these assessments, we prudently decide whether to approve the loan application. We had complied with our internal procedures for loan applications involving co-guarantees in all material respects. As of December 31, 2021, 2022, 2023 and June 30, 2024, the balance of our loans secured by guarantee companies was RMB1,451.7 million, RMB1,699.0 million, RMB2,010.7 million and RMB1,990.1 million, respectively, and we were not aware of any material business risks associated with these guarantee companies during the Track Record Period and up to the Latest Practicable Date.

(5) Represents the value of underlying pledges or collaterals for the loans primarily secured by pledges or collaterals.

(6) Calculated by dividing the value of underlying pledges or collaterals by the outstanding risk exposures which were primarily secured by pledges or collaterals. The coverage ratio for certain group customers was lower than 100.0%, mainly because a portion of risk exposures to the these group customers was secured by guarantees, in addition to pledges or collaterals.

(7) We extended the maturity of loans for two members of Group B during the Track Record Period, with the outstanding balance of relevant loans amounting to RMB20.0 million as of June 30, 2024.

(8) We extended the maturity of loans for certain members of Group C during the Track Record Period, with the outstanding balance of relevant loans amounting to RMB360.0 million as of June 30, 2024.

(9) There had been no risk exposure associated with the letters of guarantee issued to Group E, as it had provided full deposits.

(10) We extended the maturity of loans for a member of Group F during the Track Record Period, with the outstanding balance of relevant loans amounting to nil as of June 30, 2024.

(11) During the Track Record Period, (i) we experienced a delay of five days in repayment of principal from Borrower I, one of our top ten largest single non-peer borrowers as of June 30, 2024 and a member of Group G; and (ii) we extended the maturity of loans for certain members of Group G, with the outstanding balance of relevant loans amounting to RMB20.0 million as of June 30, 2024.

(12) We extended the maturity of loans for two members of Group I during the Track Record Period, with the outstanding balance of relevant loans amounting to RMB285.0 million as of June 30, 2024.

(13) We extended the maturity of loans for a member of Group J during the Track Record Period, with the outstanding balance of relevant loans amounting to RMB7.3 million as of June 30, 2024.

In addition, as of the Latest Practicable Date, we had balance of personal loans granted to (i) four former legal representatives of one of our ten largest single non-peer borrowers of RMB1.5 million; and (ii) ten senior management members of certain enterprises within the ten largest single non-peer group customers of RMB5.2 million. We granted these personal loans in the regular course of operations. Save as disclosed above, to the best knowledge of us, each of our ten largest single non-peer borrowers and ten largest single non-peer group customers, their respective shareholders, directors, senior management or any of their respective associates have no other relationship with us as of the Latest Practicable Date. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we have not experienced any delay or default in repayment from our ten largest single non-peer borrowers and ten largest single non-peer group customers.

Maturity Profile of Loan Portfolio

The following table sets forth the distribution of loans and advances to customers by remaining contract maturity as of the date indicated:

	As of June 30, 2024					
	Due in 3 months or less	Due in over 3 months up to 12 months	Due in over 1 year up to 5 years	Due in more than 5 years	Overdue(2)	Total
	(RMB in millions)					
Corporate loans						
Working capital loans	2,777.6	12,204.3	7,824.9	8.0	846.5	23,661.3
Fixed asset loans	131.7	1,941.7	7,803.8	8,165.8	132.4	18,175.4
Others(1)	–	–	–	68.8	–	68.8
Subtotal	**2,909.3**	**14,146.0**	**15,628.7**	**8,242.6**	**978.9**	**41,905.5**
Personal loans						
Personal business loans	249.6	941.4	543.3	179.4	115.9	2,029.6
Residential mortgage loans	0.2	1.5	106.3	1,733.6	–	1,841.6
Personal consumption loan	27.5	226.9	777.3	1.8	6.3	1,039.8
Subtotal	**277.3**	**1,169.8**	**1,426.9**	**1,914.8**	**122.2**	**4,911.0**
Discounted bills						
Bank acceptance bills	417.7	262.6	–	–	–	680.3
Rediscounted bills						
Bank acceptance bills	3,035.6	4,287.9	–	–	–	7,323.5
Gross loans and advances to customers	**6,639.9**	**19,866.3**	**17,055.6**	**10,157.4**	**1,101.1**	**54,820.3**

Notes:

(1) Primarily consisted of merger and acquisition loans.

(2) Includes loans on which principal or interest is overdue as of the date indicated.

Our corporate loans with remaining maturities of up to one year amounted to RMB17,055.3 million as of June 30, 2024, representing 40.7% of our total corporate loans as of the same date, primarily consisting of working capital loans with remaining maturities of three to 12 months. Our corporate loans with remaining maturities of more than one year amounted to RMB23,871.3 million as of June 30, 2024, representing 57.0% of our total corporate loans as of the same date, primarily consisting of fixed asset loans with remaining maturities of more than five years and working capital loans and fixed asset loans with remaining maturities of more than one year and up to five years.

Our personal loans with remaining maturities of up to one year amounted to RMB1,447.1 million as of June 30, 2024, representing 29.5% of our total personal loans as of the same date, primarily consisting of personal business loans with remaining maturities of three to 12 months. Our personal loans with remaining maturities of more than one year amounted to RMB3,341.7 million as of June 30, 2024, representing 68.0% of our total personal loans as of the same date, primarily consisting of residential mortgage loans with remaining maturities of more than five years.

Interest Rate Profile for Loans and Advances to Customers

In recent years, the PBoC has implemented a series of initiatives to gradually liberalize interest rates and establish a market-based interest rate regime. Prior to July 20, 2013, PRC commercial banks could set interest rates on loans within a permitted range of PBoC benchmark interest rates. On July 20, 2013, the PBoC removed the lower limits which was 70% of PBoC benchmark interest rates on RMB-denominated loans (except for interest rates on residential mortgage loans), allowing financial institutions to set interest rates based on commercial considerations. On August 20, 2019, the PBoC announced to reform the interest rate regime and establish the LPR mechanism, requiring commercial banks to set interest rates on newly extended loans by adding basis points to the latest monthly LPR. The interest rate of residential mortgage loans for the first residential property shall not be lower than the LPR of corresponding maturity, and that of the second residential property shall not be lower than the LPR of corresponding maturity plus 60 basis points. On June 20, 2023, the PBoC also adjusted its key lending benchmarks in terms of LPR regulations. Benefiting from the interest rate liberalization, the LPR maintained a downward trend during the Track Record Period and up to the Latest Practicable Date. Five-year LPR decreased from 4.65% as of January 1, 2021 to 3.60% as of the Latest Practicable Date, while one-year LPR decreased from 3.85% as of January 1, 2021 to 3.10% as of the Latest Practicable Date.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loans and advances to customers through our credit extension system. Pursuant to the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》) issued by the former CBRC on July 3, 2007, the principal criteria for classifying a loan should be based on the assessment of the borrower's repayment capability, willingness to repay, and available collateral. We classify our loans using our credit system, in accordance with former CBRC's guidelines.

Loan Classification Criteria

In determining the classification of our loan portfolio, we apply a series of criteria derived from the Rules on Risk Classification of Financial Assets of Commercial Banks. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of the principal and interest on the loan.

The loan classification criteria for our loans focus on a number of factors, to the extent applicable, including but not limited to (i) the borrower's ability to repay the loans, as measured by the borrower's cash flows, financial condition, profitability and other non-financial factors affecting the borrower's repayment capability; (ii) the borrower's repayment intention; (iii) the borrower's repayment history; (iv) the profitability of the project financed by our loans; (v) the collateral, pledge or guarantee of the loans; (vi) the borrower's legal responsibility for repayment; and (vii) our credit risk management. The key factors for our loan classification are listed below.

Normal. Loans are classified as normal only if the borrower can honor the terms of its loans and there is no sufficient reason to doubt its ability to repay principal and interest in full on a timely basis.

- the borrower pays the principal and interest under the contract;
- the borrower's operations and business are stable;
- the borrower has a good credit history with us;
- the borrower's cash flows from the ordinary course of business are stable and sufficient to service the loan; or
- the borrower has strong financing ability and is in a business with good prospects.

Special mention. Loans should be classified as special mention if the borrower is able to service its loans, although repayment may be adversely affected by specific factors, including:

- there are adverse changes on certain key financial indicators of the borrower, such as decreases in cash flow and increases in debts-to-assets ratio; or such financial indicators are clearly lower than the industry level;
- loans extension, or past due for a certain period, or such extended loans need to be repaid by other financing methods;
- there have been material changes in the borrower's substantial shareholders, affiliated entities, or parent companies or subsidiaries that may affect the borrower's repayment capability;
- there have been material changes in the borrower's senior management that may impact the borrower's repayment capability;
- our loan document is incomplete and the missing documents may affect our ability to enforce collectability of the loans;
- the borrower has used the loan proceeds for a purpose inconsistent with the intended use of the loan proceeds; or
- there have been adverse changes in the macro-economic environment, industry, market, or laws and regulations that may adversely affect the borrower's repayment capability.

Substandard. Loans should be classified as substandard if the borrower's ability to service its loans is in question as it cannot rely entirely on normal business revenues to repay the principal and interest, and losses may ensue even if we invoke the collateral or guarantees. Loans are generally classified as substandard if any of the following circumstances arises:

- the principal or any interest payments are overdue for over 90 days;
- the loans require restructuring through amendments to repayment terms as a result of the borrower's deteriorated financial condition or inability to pay;
- the borrower is disposing of, or selling off, major fixed assets used for production or business operation;
- the borrower's external credit rating has significantly downgraded and affected the borrower's repayment capability; or
- the borrower has encountered continuous financial difficulties, or the underlying project has been significantly delayed resulting in a shortage of cash flows for loan repayment and the borrower's inability to repay the loan on a timely basis.

Doubtful. Loans should be classified as doubtful if the borrower cannot repay the principal and interest in full and significant losses will need to be recognized even if we invoke the collateral or guarantees. Loans in the doubtful category generally demonstrate the following characteristics:

- the principal or any interest payments are overdue for over 270 days;
- the borrower is experiencing financial losses, is unable to repay the loan and cannot obtain other funding;
- the borrower is unable to make repayment even after receiving funds from the disposal of intangible assets, property, equipment or shares;
- the borrower's production or operations have been suspended or partially suspended, or the infrastructure project financed by our loans has been suspended; or
- the loans are still overdue or the borrower is still unable to repay the loans notwithstanding loan restructuring.

Loss. Loans should be classified as loss if only a minimal portion or none of the principal and interest can be recovered after all possible measures have been taken and all legal remedies have been exhausted. Loans in the loss category generally demonstrate the following characteristics:

- the principal or any interest payments are overdue for over 360 days;
- we have brought legal actions against the borrower to recover the loan, but even after the enforcement of court's order, we may still incur a significant loss on the loan;
- although the borrower's operation continues, given that there is a lack of market for its product, the borrower has become insolvent and incurred significant losses, putting it on the brink of bankruptcy, and the government has no plans to provide assistance to alleviate their difficulties, and thus the borrower is evidently unable to fulfill their repayment obligations;
- the borrower or the guarantor has been declared bankrupt or been dissolved or closed down, and terminated as a legal entity, or had their business licenses revoked, the loans thereof remain unpaid after the pursuit of recovery;
- serious natural disasters or unforeseen events have resulted in significant losses of the borrower without insurance coverage or the loan remains unpaid in full or in part even after payment on insurance claims and our pursuit of recovery;

- the loans remain unpaid even after the conclusion of a judicial proceeding with respect to the borrower and the guarantor, or the enforcement of the guarantee or foreclosure on the collateral; or

- the action brought against the borrower and the guarantor has lapsed with respect to the statute of limitations, or we have lost the important documents evidencing our credit rights, and the loans remain unpaid after our pursuit of recovery.

Distribution of Loans and Advances to Customers by Loan Classification

The following table sets forth the distribution of our loans and advances to customers by loan classification as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Normal	33,969.9	95.8	42,028.6	96.2	50,086.2	97.5	53,350.3	97.3
Special mention	658.6	1.9	865.3	2.0	401.4	0.8	526.0	1.0
Sub-total	34,628.5	97.7	42,893.9	98.2	50,487.6	98.3	53,876.3	98.3
Substandard[(3)]	571.5	1.6	533.9	1.2	806.5	1.5	743.6	1.3
Doubtful	232.7	0.7	238.7	0.6	97.4	0.2	200.4	0.4
Loss	–	–	–	–	–	–	–	–
Sub-total[(1)]	804.2	2.3	772.6	1.8	903.9	1.7	944.0	1.7
Gross loans and advances to customers	35,432.7	100.0	43,666.5	100.0	51,391.5	100.0	54,820.3	100.0
NPL ratio[(2)]		2.27		1.77		1.76		1.72

Notes:

(1) Calculated by dividing total NPLs by gross loans and advances to customers.

(2) Under our five-level classification system, our NPLs are classified as either substandard, doubtful or loss, as applicable.

(3) Our loans and advances to customers classified as substandard increased from RMB533.9 million as of December 31, 2022 to RMB806.5 million as of December 31, 2023, primarily because (i) we optimized standards in loan classification in accordance with new regulations in 2023 to strengthen our capacity for risk control; and (ii) we downgraded loans to NPL Borrower A engaged in finance leasing in 2023, whose business operation was adversely affected by the market condition. See "– Distribution of NPLs by Region."

The following table sets forth the distribution of our loans and advances to customers by business line and by our five-level classification system as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Corporate loans								
Normal	26,822.1	75.6	33,130.3	76.0	38,158.8	74.2	40,703.6	74.2
Special mention	557.9	1.6	800.3	1.8	301.9	0.6	425.7	0.8
Substandard	479.7	1.4	398.0	0.9	647.1	1.2	606.5	1.1
Doubtful	178.1	0.5	156.9	0.4	54.4	0.1	169.7	0.3
Loss	–	–	–	–	–	–	–	–
Sub-total	28,037.8	79.1	34,485.5	79.1	39,162.2	76.1	41,905.5	76.4
NPL ratio[1]		2.35		1.61		1.79		1.85
Personal loans								
Normal	5,465.6	15.4	4,729.8	10.8	4,615.2	9.0	4,642.9	8.5
Special mention	100.7	0.3	65.1	0.1	99.5	0.2	100.3	0.2
Substandard	91.8	0.3	135.9	0.3	159.4	0.3	137.1	0.2
Doubtful	54.6	0.2	81.8	0.2	43.0	0.1	30.7	0.1
Loss	–	–	–	–	–	–	–	–
Sub-total	5,712.7	16.2	5,012.6	11.4	4,917.1	9.6	4,911.0	9.0
NPL ratio[1]		2.56		4.34		4.12		3.42
Discounted bills								
Normal	432.3	1.2	304.0	0.7	482.2	1.0	680.3	1.24
Special mention	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–	–
Sub-total	432.3	1.2	304.0	0.7	482.2	1.0	680.3	1.2
NPL ratio[1]		0.00		0.00		0.00		0.00

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Rediscounted bills								
Normal	1,249.9	3.5	3,864.4	8.8	6,830.0	13.3	7,323.5	13.4
Special mention	–	–	–	–	–	–	–	–
Substandard	–	–	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–	–	–
Loss	–	–	–	–	–	–	–	–
Sub-total	1,249.9	3.5	3,864.4	8.8	6,830.0	13.3	7,323.5	13.4
NPL ratio(1)		0.00		0.00		0.00		0.00
Gross loans and advances to customers	35,432.7	100.0	43,666.5	100.0	51,391.5	100.0	54,820.3	100.0
NPL ratio(2)		2.27		1.77		1.76		1.72

Notes:

(1) Calculated by dividing NPLs in each business line by loans and advances to customers (excluding accrued interest) in that business line.

(2) Calculated by dividing total NPLs by gross loans and advances to customers.

Our NPL ratio decreased from 2.27% as of December 31, 2021 to 1.77% as of December 31, 2022, then decreased to 1.76% as of December 31, 2023, and further decreased to 1.72% as of June 30, 2024. The continued decrease in our NPL ratio was primarily attributable to our enhanced credit risk management that improved the quality of our assets. See "Risk Management – Credit Risk Management."

As a result of our enhancement in the credit risk management systems, we have put in place an effective decision-making mechanism in terms of loan approval where only qualified personnel are authorized to make essential decisions, which leads to better risk assessment and reduced chances in extending credit to high-risk borrowers. Our refined systems in evaluation of collaterals, approval of new product and business and specialized and centralize risk review have also strengthened screening of risk assets, which contributed to an improvement in our asset quality. In addition, the strengthening of our rectification measures, including NPL collection and disposal and resort to legal protection, have also ensured a continual improvement in our asset quality.

Loans and Advances to Customers Classified as Special Mention

Our loans and advances to customers classified as special mention amounted to RMB658.6 million, RMB865.3 million, RMB401.4 million and RMB526.0 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, accounting for 1.9%, 2.0%, 0.8% and 1.0% of our gross loans and advances to customers. Our loans and advances to customers classified as special mention as a percentage of gross loans and advances to customers remained relatively stable at 1.9% as of December 31, 2021 and 2.0% as of December 31, 2022. Our loans and advances to customers classified as special mention as a percentage of gross loans and advances to customers decreased from 2.0% as of December 31, 2022 to 0.8% as of December 31, 2023, primarily due to the downgrade or write-off of certain loans and advances to customers classified as special mention. Our loans and advances to customers classified as special mention as a percentage of gross loans and advances to customers remained relatively stable at 0.8% as of December 31, 2023 and 1.0% as of June 30, 2024. The following table sets forth the distribution of our loans and advances to customers classified as special mention to customers by type of security interest as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Pledged loans[1]	36.5	5.5	55.3	6.4	52.4	13.1	7.8	1.5
Collateralized loans[1]	561.0	85.2	747.1	86.3	224.0	55.8	213.9	40.7
Guaranteed loans[1]	60.7	9.2	61.3	7.1	121.3	30.2	301.1	57.2
Unsecured loans	0.4	0.1	1.6	0.2	3.7	0.9	3.2	0.6
Gross loans and advances to customers classified as special mention	658.6	100.0	865.3	100.0	401.4	100.0	526.0	100.0

Note:

(1) Represent the total amount of fully or partially secured corporate and personal loans in each category. If a corporate or personal loan is secured by more than one form of security interest, the classification is based on the primary form of security interest.

Changes in Asset Quality of Our Loans and Advances to Customers

The following table sets forth the changes in our NPLs for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
Balance at the beginning of the year	725.2	804.2	772.5	903.9
Increases	499.8	491.9	500.0	358.0
Downgrade	499.8	491.9	500.0	358.0
Decreases	420.8	402.7	368.6	317.9
Recovery	160.2	85.8	42.2	60.3
Upgrade	5.1	56.5	115.0	–
Write-off	255.5	260.4	211.4	257.6
Balance at the end of the year	804.2	772.5	903.9	944.0
NPL ratio as of the end of the year	2.27	1.77	1.76	1.72

We have been working on optimizing our credit risk management in accordance with the relevant regulatory policies and in alignment with the trends of industry development. Our approaches to reduce our NPLs mainly include (i) collecting repayment from the borrower; (ii) restructuring loans to reschedule or adjust the terms of loan; (iii) write-offs; (iv) executing collaterals or pursuing recovery from the guarantor; (v) initiating legal proceedings against the borrower to claim repayment; and (vi) disposal of loans by way of transfer.

The transfer of NPL is a swift and efficient recovery measure. We have developed comprehensive policies for managing NPLs, considering multiple factors before initiating a transfer. These include our need for credit risk control, business strategy and objectives, the discount level of the transfer, and the applicable laws, regulations, regulatory policies and market environment. For details of our policies regarding management of non-performing loans, see "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans – Non-performing Asset Management – Transfer of Non-performing Loans." During the Track Record Period, we transferred written-off NPLs with a carrying amount of RMB6.9 million to an Independent Third Party at a transfer price of RMB1.9 million in 2021, representing a discount rate of 27.6%. The balance of NPLs transferred out on the balance sheet in 2021 was nil because the NPLs were written off and recognized in expected credit loss before transfer. The proceeds received from the NPL transfer in 2021 were recognized as reversal of ECL allowance. We did not transfer any NPLs in 2022, 2023 or the six months ended June 30, 2024. All NPL transfers were conducted at arm's length and in compliance with applicable laws and regulations.

We continued to implement a series of measures to improve our asset quality during the Track Record Period. These included strengthening our NPL collection efforts, writing off NPLs, and reinforcing rigorous approval procedures for new loan applications. As a result of our efforts, we experienced a continuous improvement in our NPL ratio during the Track Record Period.

Specifically, in 2021, 2022, 2023 and the six months ended June 30, 2024, the total amount of loans written off was RMB255.5 million, RMB260.4 million, RMB211.4 million and RMB 257.6 million, respectively. Written-off loans were classified as off-balance-sheet assets and were no longer included in our loan portfolio after being written off.

In addition, we experienced continual growth in the gross loans and advances to customers during the Track Record Period, which increased from RMB35,432.7 million as of December 31, 2021 to RMB43,666.5 million as of December 31, 2022, then increased to RMB51,391.5 million as of December 31, 2023, and further increased from RMB54,820.3 million as of June 30, 2024. Despite growth in overall loan balance, our asset quality improved as a result of our intensified NPL collection efforts and prudent procedures in approving new loan applications. Accordingly, our NPL ratio decreased from 2.27% as of December 31, 2021 to 1.77% as of December 31, 2022, then decreased to 1.76% as of December 31, 2023, and further decreased to 1.72% as of June 30, 2024. Our allowance coverage ratio increased from 198.35% as of December 31, 2021 to 213.40% as of December 31, 2022, and further increased to 262.02% as of December 31, 2023. Our allowance coverage ratio remained relatively stable at 262.02% as of December 31, 2023 and 254.97% as of June 30, 2024. We have consistently met the NPL ratio and allowance coverage ratio requirement throughout the Track Record Period.

The following table sets forth the migration ratios of our loans and advances to customers calculated in accordance with the applicable regulatory requirements for the periods indicated:

	Years ended December 31,			**Six months ended June 30,**
	2021	**2022**	**2023**	**2024**
		(%)		
Normal and special mention(1)	3.26	1.52	2.23	1.08
Normal(2)	4.19	1.72	2.11	1.83

	Years ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
		(%)		
Special mention[(3)]	76.34	10.69	29.53	16.15
Substandard[(4)]	7.11	26.18	0.71	23.92
Doubtful[(5)]	0.00	0.00	0.00	0.00

Notes:

(1) Represent migration ratios of loans and advances classified as normal or special mention which were subsequently downgraded to NPLs. The migration ratio of normal and special mention loans and advances represents a fraction, the numerator of which equals the sum of (i) loans and advances classified as normal at the beginning of the period and downgraded to NPLs at the end of the period, and (ii) loans and advances classified as special mention at the beginning date of the period and downgraded to NPLs at the end of the period, and the denominator of which equals the sum of (i) the difference between the balance of normal loans and advances at the beginning of the period and the decrease, in the period, in the loans and advances which were classified as normal at the beginning of the period, and (ii) the difference between the balance of special mention loans and advances at the beginning of the period and the decrease in such loans and advances in the period.

(2) Represent migration ratio of loans and advances classified as normal which were subsequently downgraded to other classifications. The normal loan migration ratio represents a fraction, the numerator of which equals loans classified as normal at the beginning of the period and downgraded to lower classifications at the end of the period, and the denominator of which equals the difference between the balance of normal loans and advances at the beginning of the period and the decrease in such loans in the period.

(3) Represent migration ratio of loans and advances classified as special mention which were subsequently downgraded to NPLs. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans and advances which were classified as special mention at the beginning of the period and downgraded to NPLs at the end of the period, and the denominator of which equals the difference between the balance of special mention loans and advances at the beginning of the period and the decrease in such loans and advances in the period.

(4) Represent migration ratio of loans classified as substandard which were subsequently downgraded to doubtful or loss. The substandard loan migration ratio represents a fraction, the numerator of which equals the loans and advances classified as substandard at the beginning of the period and downgraded to doubtful or loss at the end of the period, and the denominator of which equals the difference between the balance of substandard loans and advances at the beginning of the period and the decrease in such loans and advances in the period.

(5) Represent migration ratio of loans classified as doubtful which were downgraded to loss. The doubtful loan migration ratio represents a fraction, the numerator of which equals the loans and advances classified as doubtful at the beginning of the period and downgraded to loss at the end of the period, and the denominator of which equals the difference between the balance of doubtful loans and advances at the beginning of the period and the decrease in such loans and advances in the period.

The migration ratio of our normal loans and advances decreased from 4.19% in 2021 to 1.72% in 2022, and decreased from 2.11% in 2023 to 1.83% in the six months ended June 30, 2024. The migration ratio of our special mention loans decreased from 76.34% in 2021 to 10.69% in 2022, and decreased from 29.53% in 2023 to 16.15% in the six months ended June 30, 2024. The migration ratio of our substandard loans also decreased from 26.18% in 2022 to 0.71% in 2023. The decreases in these ratios were primarily attributable to our continuous efforts in NPL disposal and asset quality improvement.

The migration ratio of our normal loans and advances increased from 1.72% in 2022 to 2.11% in 2023, primarily due to the higher downgrade amount of normal loans and advances in 2023 in response to changes in repayment capability of certain borrowers, particularly a corporate borrower who operates in the financing industry. We had migration ratio of our special mention loans of 76.34% in 2021, primarily due to the downgrade of certain loans in response to the changes in repayment capability of a borrowers who engaged in renting and business activities. The migration ratio of our special mention loans and advances increased from 10.69% in 2022 to 29.53% in 2023, primarily due to the higher downgrade amount of special mention loans and advances in 2023 in response to changes in repayment capability of certain borrowers, particularly a corporate borrower who operates in the accommodation and catering industry. The migration ratio of our substandard loans and advances increased from 7.11% in 2021 to 26.18% in 2022, primarily due to the higher downgrade amount of substandard loans and advances in 2022 in response to changes in repayment capability of certain personal business loan borrowers who operates in the wholesale and retail trades industry. The migration ratio of our substandard loans and advances increased from 0.71% in 2023 to 23.92% in the six months ended June 30, 2024, primarily due to the relatively high downgrade amount of substandard loans and advances in the six months ended June 30, 2024 in response to changes in repayment capability of certain borrowers, particularly a corporate borrower who operates in the education industry.

Distribution of NPLs by Business Line

The following table sets forth the distribution of our NPLs by business line as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]
	(RMB in millions, except for percentages)											
Corporate loans												
Working capital loans	573.6	87.2	3.33	372.9	67.2	1.86	432.2	61.6	1.95	619.8	79.9	2.62
Fixed asset loans	84.3	12.8	0.79	182.0	32.8	1.28	269.3	38.4	1.59	156.4	20.1	0.86
Subtotal	657.9	100.0	2.35	554.9	100.0	1.61	701.5	100.0	1.79	776.2	100.0	1.85
Personal loans												
Personal business loans	129.1	88.3	4.46	162.4	74.6	7.58	131.8	65.1	6.21	96.6	57.6	4.76
Residential mortgage loans	4.9	3.3	0.22	42.7	19.6	2.06	54.1	26.7	2.78	61.6	36.7	3.34
Personal consumption loan	12.3	8.4	2.09	12.6	5.8	1.64	16.5	8.2	1.94	9.6	5.7	0.92
Subtotal	146.3	100.0	2.56	217.7	100.0	4.34	202.4	100.0	4.12	167.8	100.0	3.42
Discounted bills												
Bank acceptance bills	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Rediscounted bills												
Bank acceptance bills	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Total NPL ratio			2.27			1.77			1.76			1.72

Note:

(1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.

Non-performing Corporate Loans

Our non-performing corporate loans decreased by 15.7% from RMB657.9 million as of December 31, 2021 to RMB554.9 million as of December 31, 2022, primarily attributable to our continuous efforts in collecting non-performing corporate loans and our enhanced credit risk management that improved the quality of our assets. Our non-performing corporate loans increased by 26.4% from RMB554.9 million as of December 31, 2022 to RMB701.5 million as of December 31, 2023, primarily due to the increased credit risks relating to certain corporate borrowers affected by the earlier public health incident and the moderation of economic growth, resulting in a weakening of borrowers' operational capabilities. Our non-performing corporate loans increased by 10.6% from RMB701.5 million as of December 31, 2023 to RMB776.2 million as of June 30, 2024, primarily due to the increased credit risks relating to certain corporate borrowers affected by the earlier public health incident and the moderation of economic growth, resulting in a weakening of borrowers' operational capabilities, particularly a corporate borrower engaged in the manufacturing industry. For the same reasons, the NPL ratio of our corporate loans decreased from 2.35% as of December 31, 2021 to 1.61% as of December 31, 2022, then increased to 1.79% as of December 31, 2023, and further increased to 1.85% as of June 30, 2024.

Non-performing Personal Loans

Our non-performing personal loans increased by 48.8% from RMB146.3 million as of December 31, 2021 to RMB217.7 million as of December 31, 2022, primarily due to the increased credit risks relating to individual business owners affected by the market condition. Our non-performing personal loans decreased by 7.0% from RMB217.7 million as of December 31, 2022 to RMB202.4 million as of December 31, 2023, and further decreased by 17.1% to RMB167.8 million as of June 30, 2024, primarily due to our continuous efforts in collecting non-performing personal loans. For the same reasons, the NPL ratio of our personal loans increased from 2.56% as of December 31, 2021 to 4.34% as of December 31, 2022, then decreased to 4.12% as of December 31, 2023, and further decreased to 3.42% as of June 30, 2024, which remained compliant with the regulatory requirement in terms of NPL ratio set forth by the NAFR during the Track Record Period.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of our NPLs to corporate banking customers by industry as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*NPL ratio*	*Amount*	*% of total*	*NPL ratio*	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]
	(RMB in millions, except for percentages)											
Manufacturing	148.5	22.6	3.94	111.7	20.1	3.03	35.1	5.0	0.84	198.9	25.6	4.48
Financing	–	–	0.00	–	–	0.00	182.6	26.1	86.29	182.5	23.5	82.36
Wholesale and retail trade	99.0	15.0	1.54	123.6	22.3	1.68	130.1	18.5	1.39	139.2	17.8	1.31
Education	–	–	–	120.0	21.7	4.41	118.2	16.8	4.59	117.6	15.2	4.21
Agriculture, forestry, animal husbandry and fishery	54.1	8.2	8.89	29.5	5.3	1.63	17.0	2.4	0.63	27.7	3.6	0.92
Renting and business activities	207.8	31.6	6.74	4.0	0.7	0.13	10.3	1.5	0.30	26.0	3.3	0.73
Construction	28.0	4.3	0.45	41.3	7.4	0.37	44.2	6.3	0.52	18.6	2.4	0.22

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*NPL ratio*	*Amount*	*% of total*	*NPL ratio*	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]
	(RMB in millions, except for percentages)											
Transportation, warehousing and express service	9.9	1.5	2.47	12.1	2.2	2.49	5.0	0.7	0.76	18.3	2.4	2.21
Accommodation and Catering	39.3	6.0	6.40	44.1	7.9	7.71	124.1	17.7	22.04	17.6	2.3	3.70
Real estate	15.1	2.3	1.42	15.1	2.7	0.96	15.4	2.2	0.77	16.2	2.1	0.76
Residential services, repairs and other services	–	–	0.00	–	–	0.00	5.6	0.8	8.53	7.4	1.0	9.78
Mining	44.3	6.7	15.86	43.3	7.8	15.03	5.7	0.8	1.96	5.7	0.7	1.75
Information transmission, software and information technology service	–	–	0.00	–	–	0.00	–	–	0.00	0.5	0.1	0.16
Scientific research and technology service	5.0	0.8	5.32	5.0	0.9	2.99	5.0	0.7	2.43	–	–	0.00
Water, environment and public facilities management	2.8	0.4	0.19	2.8	0.5	0.11	2.8	0.4	0.11	–	–	0.00
Health, social security and social welfare	0.5	0.1	0.16	0.4	0.1	0.13	0.4	0.1	0.11	–	–	0.00
Electricity, heat, gas and water production and supply	3.5	0.5	1.50	2.0	0.4	0.24	–	–	0.00	–	–	0.00
Culture, sport and entertainment	0.1	0.0	0.02	–	–	0.00	–	–	0.00	–	–	0.00
Total non-performing corporate loans	657.9	100.0	2.35	554.9	100.0	1.61	701.5	100.0	1.79	776.2	100.0	1.85

Note:

(1) Calculated by dividing NPLs in each industry by total loans and advances to customers in that industry.

Our non-performing corporate loans as of June 30, 2024 consisted primarily of loans to corporate borrowers in the manufacturing, financing and wholesale and retail trade industries.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our NPLs to corporate borrowers in the manufacturing industry represented 22.6%, 20.1%, 5.0% and 25.6% of our total non-performing corporate loans, respectively. The NPL ratio for corporate loans in the manufacturing industry decreased from 3.94% as of December 31, 2021 to 3.03% as of December 31, 2022, primarily attributable to our continuous efforts in NPL disposal and asset quality improvement. The NPL ratio for corporate loans in the manufacturing industry decreased from 3.03% as of December 31, 2022 to 0.84% as of December 31, 2023, primarily due to the write-offs of certain NPLs to corporate borrowers in the manufacturing industry in 2023. The NPL ratio for corporate loans in the manufacturing industry increased from 0.84%

as of December 31, 2023 to 4.48% as of June 30, 2024, primarily due to the downgrade of loans to a corporate borrower engaged in the manufacturing industry, whose business operation was adversely affected by the market condition.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our NPLs to corporate borrowers in the financing industry represented nil, nil, 26.1% and 23.5% of our total non-performing corporate loans, respectively. The NPL ratio for corporate loans in the financing industry increased from 0.00% as of December 31, 2022 to 86.29% as of December 31, 2023, primarily due to the downgrade of loans to a corporate borrower engaged in finance leasing, whose business operation was adversely affected by the market condition. The NPL ratio for corporate loans in the financing industry decreased from 86.29% as of December 31, 2023 to 82.36% as of June 30, 2024, primarily due to the loan disbursement to corporate borrowers in the financing industry in the six months ended June 30, 2024.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our NPLs to corporate borrowers in the wholesale and retail trade industry represented 15.0%, 22.3%, 18.5% and 17.8% of our total non-performing corporate loans, respectively. The NPL ratio for corporate loans in the wholesale and retail trade industry increased from 1.54% as of December 31, 2021 to 1.68% as of December 31, 2022, primarily due to the increased credit risks relating to small and micro enterprises in the wholesale and retail trade industry affected by the market condition. The NPL ratio for corporate loans in the wholesale and retail trade industry decreased from 1.68% as of December 31, 2022 to 1.39% as of December 31, 2023, primarily attributable to our strengthened efforts in collecting and disposing of non-performing corporate loans to corporate borrowers in the wholesale and retail trade industry. The NPL ratio for corporate loans in the wholesale and retail trade industry remained relatively stable at 1.39% as of December 31, 2023 and 1.31% as of June 30, 2024.

Distribution of NPLs by Region

The following table sets forth the distribution of our NPLs by region as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]
	(RMB in millions, except for percentages)											
Corporate and personal loans												
Sichuan	603.0	74.9	2.07	750.2	97.0	2.09	703.9	77.9	1.70	734.0	77.9	1.66
– Yibin	355.5	44.1	1.99	526.9	68.1	2.27	591.1	65.4	2.14	574.2	60.9	1.94
– Chengdu	23.2	2.9	0.49	14.9	1.9	0.27	17.7	2.0	0.31	54.3	5.8	0.92

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*NPL ratio(1)*	*Amount*	*% of total*	*NPL ratio(1)*	*Amount*	*% of total*	*NPL ratio(1)*	*Amount*	*% of total*	*NPL ratio(1)*
	(RMB in millions, except for percentages)											
– Neijiang	215.5	26.8	5.21	190.6	24.7	4.14	67.1	7.4	1.36	65.3	6.9	1.36
– Others(2)	8.8	1.1	0.36	17.8	2.3	0.69	28.0	3.1	0.94	40.2	4.3	1.06
Hubei	–	–	0.00	0.4	0.1	0.02	0.4	0.0	0.04	–	–	0.00
Chongqing	0.7	0.1	0.16	6.0	0.8	1.28	2.0	0.2	0.45	24.8	2.6	5.18
Beijing(4)	200.0	24.9	46.76	–	–	0.00	182.6	20.2	80.76	182.6	19.3	98.54
Zhejiang	–	–	–	–	–	–	–	–	–	0.4	–	–
Others(3)	0.5	0.1	0.04	16.0	2.1	2.29	15.0	1.7	0.03	2.2	0.2	0.72
Discounted bills	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Rediscounted bills	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Total NPLs	804.2	100.0	2.27	772.6	100.0	1.77	903.9	100.0	1.76	944.0	100.0	1.72

Notes:

(1) Calculated by dividing NPLs in each category by total loans and advances to customers in the category.

(2) Primarily comprise Zigong.

(3) Primarily comprise Hebei and Guizhou.

(4) Our gross loans and advances to customers in Beijing as of December 31, 2021 were mainly corporate loans disbursed to (i) NPL Borrower A, an independent third-party corporate borrower which is engaged in finance leasing; and (ii) an independent third-party corporate borrower which is engaged in renting and business activities ("NPL Borrower K"). The NPL ratio for corporate and personal loans disbursed to Beijing was relatively high as of December 31, 2021, primarily due to the downgrade of loans to NPL Borrower K in 2021, whose business operation was adversely affected by a working capital shortfall. We had fully judicially disposed of the non-performing corporate loans to NPL Borrower K as of December 31, 2022.

Our gross loans and advances to customers in Beijing as of December 31, 2022 and 2023 and June 30, 2024 were mainly corporate loans disbursed to NPL Borrower A. The NPL ratio for corporate and person loans disbursed to Beijing was relatively high as of December 31, 2023 and June 30, 2024, primarily due to the downgrade of loans to NPL Borrower A in 2023, whose business operation was adversely affected by the market condition.

We had initially extended credit to both NPL Borrower A and NPL Borrower K in 2017. During the Track Record Period, we strategically scaled down our loan disbursement to Beijing and did not increase credit extension to either NPL Borrower A or NPL Borrower K. We have consistently enhanced our risk control over credit extension to customers outside Yibin during the Track Record Period. Each loan disbursed to customers outside Yibin is required to undergo stringent due diligence and approval procedures. Additionally, we conduct semi-annual self-inspections on our loans disbursed to customers outside Yibin and report any identified risks to mitigate potential losses promptly.

Distribution of NPLs by Type of Security Interest

The following table sets forth the distribution of our NPLs by type of security interest as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]	*Amount*	*% of total*	*NPL ratio*[(1)]
	(RMB in millions, except for percentages)											
Corporate and personal loans												
Pledged loans	4.8	0.6	0.10	–	–	0.00	12.0	1.3	0.17	8.5	0.9	0.09
Collateralized loans	432.8	53.8	2.75	604.0	78.2	3.57	571.8	63.3	3.21	642.5	68.1	3.32
Guaranteed loans	164.1	20.4	1.48	150.2	19.4	1.01	297.1	32.9	1.78	280.6	29.7	1.66
Unsecured loans	202.5	25.2	10.74	18.4	2.4	1.55	23.0	2.5	2.05	12.4	1.3	0.81
Discounted bills	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Rediscounted bills	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Total NPLs	804.2	100.0	2.27	772.6	100.0	1.77	903.9	100.0	1.76	944.0	100.0	1.72

Note:

(1) Calculated by dividing NPLs in each product type secured by each type of security interest by total loans and advances to customers secured by that type of security interest.

Our total NPL ratio represented a decreasing trend during the Track Record Period. The NPL ratio of pledged loans decreased from 0.10% as of December 31, 2021 to 0.00% as of December 31, 2022, and decreased from 0.17% as of December 31, 2023 to 0.09% as of June 30, 2024; the NPL ratio of collateralized loans decreased from 3.57% as of December 31, 2022 to 3.21% as of December 31, 2023; the NPL ratio of guaranteed loans decreased from 1.48% as of December 31, 2021 to 1.01% as of December 31, 2022 and decreased from 1.78% as of December 31, 2023 to 1.66% as of June 30, 2024; and the NPL ratio of unsecured loans decreased from 10.74% as of December 31, 2021 to 1.55% as of December 31, 2022 and decreased from 2.05% as of December 31, 2023 to 0.81% as of June 30, 2024, reflecting our continuous efforts in collecting NPLs and enhanced credit risk management that improved the quality of our assets. The NPL ratio of pledged loans increased from 0.00% as of December 31, 2022 to 0.17% as of December 31, 2023; the NPL ratio of collateralized loans increased from 2.75% as of December 31, 2021 to 3.57% as of December 31, 2022, and increased from 3.21% as of December 31, 2023 to 3.32% as of June 30, 2024; and the NPL ratio of guaranteed loans increased from 1.01% as of December 31, 2022 to 1.78% as of December 31, 2023, primarily due to the increased credit risks relating to certain corporate borrowers affected by the earlier public health incident and the moderation of economic growth, resulting in a weakening of borrowers' operational capabilities. The NPL ratio of unsecured loans increased from 1.55% as of December 31, 2022 to 2.05% as of December 31, 2023, primarily due to our advance payments on certain bank acceptance bills.

Our NPL ratio of collateralized loans was generally higher than our overall NPL ratio during the Track Record Period, primarily because a significant portion of our collateralized loans was granted to private enterprises or small and micro enterprises. Private, small and micro enterprises generally presented relatively higher credit risks as they are generally more vulnerable to the fluctuations in market conditions. In accordance with the regulatory requirements of the NAFR, we have implemented differentiated management policies to increase tolerance for NPLs associated with private and small-to-micro enterprises, and require that the NPL ratio for these sectors does not surpass our overall NPL ratio by more than two percentage points. We have also established comprehensive policies for collateral evaluation and management to improve the recoverability of collateralized loans. See "Risk Management – Credit Risk Management – Credit Risk Management of Corporate Loans – Pre-loan Investigations – Collateral and Pledge Evaluation."

Ten Largest Non-performing Borrowers

The following table sets forth our borrowers with the ten largest NPL balances outstanding as of the date indicated:

	As of June 30, 2024					
	Type of customer	**Industry**	**Outstanding Principal amount**	**Classification**	**% of total NPLs**	**% of net capital base[1]**
	(RMB in millions, except for percentages)					
NPL Borrower A	Corporate banking customer	Financing	182.6	Substandard	19.3	1.8
NPL Borrower B	Corporate banking customer	Manufacturing	179.9	Substandard	19.1	1.8
NPL Borrower C	Corporate banking customer	Education	117.4	Doubtful	12.4	1.2
NPL Borrower D	Corporate banking customer	Accommodation and catering	17.1	Doubtful	1.8	0.2
NPL Borrower E	Corporate banking customer	Real estate	15.1	Doubtful	1.6	0.1
NPL Borrower F	Corporate banking customer	Wholesale and retail trade	10.0	Substandard	1.1	0.1
NPL Borrower G	Corporate banking customer	Wholesale and retail trade	10.0	Substandard	1.1	0.1
NPL Borrower H	Corporate banking customer	Wholesale and retail trade	9.0	Substandard	1.0	0.1
NPL Borrower I	Corporate banking customer	Wholesale and retail trade	9.0	Substandard	1.0	0.1
NPL Borrower J	Corporate banking customer	Wholesale and retail trade	9.0	Substandard	1.0	0.1
Total			559.1		59.4	5.6

Note:

(1) Represents loan balance as a percentage of our net capital base (also referred to in this Prospectus as "regulatory capital"), calculated in accordance with requirements of the New Capital Management Regulations and based on our financial statements prepared in accordance with IFRS. For a calculation of our net capital base as of June 30, 2024, see "Financial Information – Capital Resources – Capital Adequacy."

Loan Aging Schedule

The following table sets forth our loan aging schedule as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Current loans	34,158.5	96.5	42,784.2	98.0	50,507.4	98.3	53,513.8	97.6
Loans past due for[1]								
– Up to 90 days	501.8	1.4	377.8	0.9	222.4	0.4	545.6	1.0
– Over 90 days up to 1 year	112.5	0.3	129.0	0.3	263.5	0.5	316.8	0.6
– Over 1 year up to 3 years	476.7	1.3	181.2	0.4	191.4	0.4	273.3	0.5
– Over 3 years	183.2	0.5	194.3	0.4	206.8	0.4	170.8	0.3
Gross loans and advances to customers	35,432.7	100.0	43,666.5	100.0	51,391.5	100.0	54,820.3	100.0

Note:

(1) Includes loans on which principal or interest is overdue as of the dates indicated.

ECL Allowance on Loans and Advances to Customers

We determine a level of allowance for expected credit losses in accordance with the requirements of IFRS 9 during the Track Record Period. Our loans and advances to customers are reported net of ECL allowance on our statements of financial position.

During the Track Record Period, under the requirements of IFRS 9, we classified our loans and advances to customers using a three-stage model: (i) Stage 1 (Normal Credit Quality) refers to loans and advances that have not had a significant increase in credit risk and for which the expected credit losses in the next 12 months will be recognized; (ii) Stage 2 (Significant Increase in Credit Risk) refers to loans and advances that have had a significant increase in credit risk and for which the expected credit losses lifetime will be recognized; and (iii) Stage 3 (Credit-impaired) refers to loans and advances that have objective evidence of impairment and for which the expected credit losses lifetime will be recognized. An expected credit loss is recognized through profits or losses when there is objective evidence that loans and advances are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loans' and advances' original effective interest rate. We have developed an expected credit loss impairment model in accordance with IFRS 9 to measure the expected credit losses, taking into account various factors such as five-level classification and number of overdue.

Distribution of ECL Allowance by Loan Classification

The following table sets forth the distribution of our ECL allowance on loans and advances to customers by loan classification as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]
	(RMB in millions, except for percentages)											
Normal	999.2	62.6	3.09	1,096.0	66.5	2.89	1,570.2	66.3	3.67	1,565.5	65.0	3.45
Special mention	139.0	8.7	21.11	159.0	9.6	18.38	125.1	5.3	31.17	230.0	9.6	43.73
Substandard	336.9	21.1	58.95	268.3	16.3	50.25	607.4	25.6	75.31	486.6	20.2	65.44
Doubtful	120.1	7.5	51.60	125.3	7.6	52.51	65.6	2.8	67.35	125.1	5.2	62.43
Loss	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Total ECL allowance	1,595.1	100.0	4.73	1,648.6	100.0	4.17	2,368.3	100.0	5.37	2,407.2	100.0	5.14

Note:

(1) Calculated by dividing ECL allowance on loans and advances to customers in each category by gross loans and advances to customers (excluding discounted bills and rediscounted bills) in that category.

The following table sets forth the distribution of our ECL allowance on loans and advances to customers by business line and by loan classification as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*(1)	*Allowance to gross loan ratio*(2)	*Amount*	*% of total*(1)	*Allowance to gross loan ratio*(2)	*Amount*	*% of total*(1)	*Allowance to gross loan ratio*(2)	*Amount*	*% of total*(1)	*Allowance to gross loan ratio*(2)
	(RMB in millions, except for percentages)											
Corporate loans												
Normal	962.8	60.4	3.59	1,071.1	65.0	3.23	1,539.3	65.1	4.03	1,517.5	63.0	3.73
Special mention	118.8	7.4	21.29	151.1	9.2	18.89	93.4	3.9	30.94	202.6	8.4	47.59
Substandard	288.3	18.1	60.11	197.4	12.0	49.59	516.3	21.8	79.79	413.7	17.2	68.21
Doubtful	92.8	5.8	52.08	82.7	5.0	52.73	37.8	1.6	69.49	107.2	4.5	63.17
Loss	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Subtotal	1,462.7	91.7	5.22	1,502.3	91.1	4.36	2,186.8	92.4	5.58	2,241.0	93.1	5.35
Personal loans												
Normal	36.4	2.3	0.67	24.9	1.5	0.53	30.9	1.3	0.67	48.0	2.0	1.03
Special mention	20.2	1.3	20.10	7.9	0.5	12.09	31.7	1.3	31.86	27.5	1.1	27.42
Substandard	48.5	3.0	52.90	70.9	4.3	52.17	91.1	3.8	57.15	72.9	3.0	53.17
Doubtful	27.3	1.7	50.06	42.6	2.6	52.09	27.8	1.2	64.65	17.8	0.7	57.98
Loss	–	–	0.00	–	–	0.00	–	–	0.00	–	–	0.00
Subtotal	132.4	8.3	2.32	146.3	8.9	2.92	181.5	7.6	3.69	166.2	6.9	3.38
Total ECL allowance	1,595.1	100.0	4.73	1,648.6	100.0	4.17	2,368.3	100.0	5.37	2,407.2	100.0	5.14

Notes:

(1) Calculated by dividing ECL allowance on loans and advances to customers in each category by total ECL allowance on loans and advances to customers.

(2) Calculated by dividing ECL allowance on loans and advances to customers in each category by gross loans and advances to customers (excluding discounted bills and rediscounted bills) in that category.

Changes to ECL Allowance on Loans and Advances to Customers

We report net provisions for expected credit losses on loans and advances to customers on our statement of profit and loss and other comprehensive income. The following table sets forth the changes to ECL allowance on loans and advances to customers for the periods indicated:

	Amount
	(RMB in millions)
As of December 31, 2021	1,595.1
New loans and advances originated	348.1
Loans and advances derecognized	(431.9)
Remeasurement	356.3
Loans and advances written-off, net	(219.0)
As of December 31, 2022	1,648.6
New loans and advances originated	514.3
Loans and advances derecognized	(491.0)
Remeasurement	860.0
Loans and advances written-off, net	(163.6)
As of December 31, 2023	2,368.3
New loans and advances originated	323.0
Loans and advances derecognized	(290.8)
Remeasurement	252.9
Loans and advances written-off, net	(246.2)
As of June 30, 2024	2,407.2

Our ECL allowance on loans and advances to customers increased by 3.4% from RMB1,595.1 million as of December 31, 2021 to RMB1,648.6 million as of December 31, 2022, and further increased by 43.7% to RMB2,368.3 million as of December 31, 2023, primarily attributable to our increased loan scale as a result of our strengthened efforts to broaden our customer base and expand lending activities. Our ECL allowance on loans and advances to customers remained relatively stable at RMB2,368.3 million as of December 31, 2023 and RMB2,407.2 million as of June 30, 2024.

Under the expected credit loss impairment model, the expected credit losses rate ("ECL rate") is calculated by dividing expected credit loss allowance by the balance of related assets. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our ECL rate for loans and advances to customers measured at amortized cost was 4.71%, 4.14%, 5.33% and 5.11%, respectively. Our ECL rate for loans and advances to customers measured at amortized cost decreased from 4.71% as of December 31, 2021 to 4.14% as of December 31, 2022, primarily due to a decrease in our NPL ratio from 2.27% as of December 31, 2021 to 1.77% as of December 31, 2022. Our ECL rate for loans and advances to customers measured at amortized cost increased from 4.14% as of December 31, 2022 to 5.33% as of December 31, 2023, primarily because we made ECL allowance for loans considering more accumulated historical data and expected repayment capabilities of customers in light of the market moderation in 2023 post the earlier public health incident. Our ECL rate for loans and advances to customers measured at amortized cost decreased from 5.33% as of December 31, 2023 to 5.11% as of June 30, 2024, primarily due to a decrease in our NPL ratio from 1.76% as of December 31, 2023 to 1.72% as of June 30, 2024.

Distribution of ECL Allowance by Business Line

The following table sets forth the distribution of our ECL allowance on loans and advances to customers by business line as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]
	(RMB in millions, except for percentages)											
Corporate loans												
Working capital loans	1,050.4	65.9	6.10	974.5	59.1	4.86	1,454.0	61.4	6.58	1,513.2	62.9	6.40
Fixed asset loans	408.2	25.6	3.83	525.0	31.8	3.68	730.7	30.9	4.30	725.0	30.1	3.99
Others	4.1	0.3	2.48	2.8	0.2	1.82	2.1	0.1	2.83	2.8	0.1	4.07
Subtotal	1,462.7	91.7	5.22	1,502.3	91.1	4.36	2,186.8	92.4	5.58	2,241.0	93.1	5.35
Personal loans												
Personal business loans	102.3	6.4	3.53	108.3	6.6	5.05	128.9	5.4	6.08	119.5	5.0	5.89
Residential mortgage Loans	17.2	1.1	0.78	27.2	1.7	1.31	35.0	1.5	1.80	34.2	1.4	1.86
Personal consumption loans	12.9	0.8	2.20	10.9	0.7	1.35	17.6	0.7	2.07	12.5	0.5	1.20
Subtotal	132.4	8.3	2.32	146.3	8.9	2.92	181.5	7.6	3.69	166.2	6.9	3.38

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]
	(RMB in millions, except for percentages)											
Total ECL allowance	1,595.1	100.0	4.73	1,648.6	100.0	4.17	2,368.3	100.0	5.37	2,407.2	100.0	5.14

Note:

(1) Calculated by dividing ECL allowance on loans and advances to customers in each category by gross loans and advances to customers (excluding discounted bills and rediscounted bills) in that category.

Distribution of ECL Allowance by Region

The following table sets forth the distribution of our ECL allowance on loans and advances to customers by region as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]
	(RMB in millions, except for percentages)											
Corporate and personal loans												
Sichuan	1,229.4	77.1	4.21	1,350.3	81.9	3.77	1,814.8	76.6	4.39	1,898.3	78.8	4.30
– Yibin	752.2	47.2	4.22	871.1	52.8	3.76	1,267.6	53.5	4.58	1,217.3	50.5	4.10
– Chengdu	142.3	8.9	2.98	135.3	8.2	2.46	155.8	6.6	2.70	202.2	8.4	3.42
– Neijiang	271.8	17.0	6.57	288.8	17.5	6.28	302.5	12.7	6.14	354.2	14.7	7.40
– Others[(2)]	63.1	4.0	2.56	55.1	3.3	2.13	88.9	3.8	2.98	124.6	5.2	3.28
Hubei	135.7	8.5	5.91	209.6	12.7	9.37	157.8	6.7	15.22	162.7	6.8	16.00
Zhejiang	0.2	0.0	0.53	0.2	0.0	0.69	12.6	0.5	2.75	13.0	0.5	2.84
Chongqing	10.2	0.6	2.36	13.4	0.8	2.86	12.9	0.5	2.92	23.8	1.0	4.97
Guangdong	28.6	1.8	7.21	29.6	1.8	8.85	140.0	5.9	45.32	121.9	5.1	40.10

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	% of total	Allowance to gross loan ratio(1)	Amount	% of total	Allowance to gross loan ratio(1)	Amount	% of total	Allowance to gross loan ratio(1)	Amount	% of total	Allowance to gross loan ratio(1)
	(RMB in millions, except for percentages)											
Beijing	178.3	11.2	41.67	31.2	1.9	12.74	215.1	9.1	95.13	182.6	7.6	98.54
Others(3)	12.7	0.8	1.28	14.3	0.9	4.32	15.1	0.6	6.02	4.9	0.2	2.48
Total ECL allowance	1,595.1	100.0	4.73	1,648.6	100.0	4.17	2,368.3	100.0	5.37	2,407.2	100.0	5.14

Notes:

(1) Calculated by dividing ECL allowance on loans and advances to customers in each category by gross loans and advances to customers (excluding discounted bills and rediscounted bills) in that category.

(2) Primarily comprise Dazhou, Luzhou, Leshan, Nanchong, Mianyang and Deyang.

(3) Primarily comprise Hebei, Henan and Anhui.

Distribution of ECL Allowance by Assessment Methodology

The following table sets forth the distribution of our ECL allowance on loans and advances to customers by our assessment methodology as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	Allowance to gross loan ratio(1)	Amount	Allowance to gross loan ratio(1)	Amount	Allowance to gross loan ratio(1)	Amount	Allowance to gross loan ratio(1)
	(RMB in millions, except for percentages)							
Stage 1	901.0	2.83	980.8	2.62	1,162.5	2.79	1,202.0	2.73
Stage 2	217.7	21.17	237.1	18.67	300.1	24.23	296.3	21.60
Stage 3	476.4	56.71	430.7	50.89	905.7	72.68	908.9	64.55
Total ECL allowance	1,595.1	4.73	1,648.6	4.17	2,368.3	5.37	2,407.2	5.14

Note:

(1) Calculated by dividing ECL allowance on loans and advances to customers in each category by gross loans and advances to customers (excluding discounted bills and rediscounted bills) in that category.

Distribution of ECL Allowance on Corporate Loans by Industry

The following table sets forth the distribution of our ECL allowance on corporate loans by industry as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]
	(RMB in millions, except for percentages)											
Wholesale and retail trade	267.9	18.3	4.17	348.8	23.2	4.74	535.4	24.5	5.74	531.5	23.7	4.97
Manufacturing	273.4	18.7	7.26	236.9	15.8	6.43	279.3	12.8	6.65	318.5	14.2	7.09
Renting and business activities	325.4	22.2	10.56	166.3	11.1	5.24	245.1	11.2	7.09	263.0	11.7	7.24
Construction[(2)]	199.8	13.7	3.18	230.4	15.3	2.89	306.8	14.0	3.58	232.5	10.4	2.77
Financing[(3)]	30.1	2.1	10.26	31.9	2.1	11.43	215.0	9.8	100.00	184.1	8.2	83.05
Agriculture, forestry, animal husbandry and fishery	56.0	3.8	9.20	67.3	4.5	3.72	115.4	5.3	4.28	182.3	8.1	6.01
Education	62.0	4.2	2.48	105.1	7.0	3.87	126.5	5.8	4.91	161.9	7.2	5.78
Real estate	41.4	2.8	3.90	49.4	3.3	3.14	55.7	2.5	2.77	78.8	3.5	3.70
Water, environment and public facilities management	38.8	2.7	2.62	48.1	3.2	1.87	57.3	2.6	2.18	72.2	3.2	2.78
Accommodation and catering[(4)]	79.2	5.4	12.90	75.6	5.0	13.21	142.4	6.5	25.29	47.5	2.1	9.48
Electricity, heat, gas and water production and supply	11.2	0.8	4.85	18.8	1.3	2.24	21.5	1.0	2.61	45.0	2.0	3.70
Transportation, warehousing and express service	15.7	1.1	3.90	17.2	1.1	3.54	22.1	1.0	3.36	36.8	1.6	4.43
Information transmission, software and information technology service	3.0	0.2	2.48	12.0	0.8	7.93	19.6	0.9	6.60	28.8	1.3	9.01
Culture, sport and entertainment	12.7	0.9	2.68	50.4	3.4	10.54	7.1	0.3	3.06	18.7	0.8	3.87

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Amount	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]	*Amount*	*% of total*	*Allowance to gross loan ratio*[(1)]
	(RMB in millions, except for percentages)											
Mining	32.3	2.2	11.60	31.3	2.1	10.87	11.4	0.5	3.93	17.1	0.8	5.25
Health, social security and social welfare	8.5	0.6	2.69	6.5	0.4	2.02	9.8	0.4	2.76	10.9	0.5	3.75
Residential services, repairs and other services	0.3	0.0	2.48	1.1	0.1	2.32	4.6	0.2	7.00	5.8	0.3	7.63
Scientific research and technology service	5.0	0.3	5.35	5.2	0.3	3.11	11.8	0.5	5.74	5.6	0.2	3.25
Total ECL allowance on corporate loans	1,462.7	100.0	5.22	1,502.3	100.0	4.36	2,186.8	100.0	5.58	2,241.0	100.0	5.35

Note:

(1) Calculated by dividing ECL allowance on corporate loans to each industry by gross corporate loans to that industry.

(2) The amount of loans written off for construction loans in 2021, 2022, 2023 and the six months ended June 30, 2024 was RMB16.0 million, nil, RMB5.0 million and RMB12.0 million, respectively.

(3) The increases in the allowance to gross loan ratio for financing industry in 2023 and the six months ended June 30, 2024 were primarily attributable to the downgrade of certain loan in response to changes in the repayment capability of a borrower engaged in financial leasing as a result of operational difficulties, which led to a corresponding increase in the provisions made thereof.

(4) The increase in the allowance to gross loan ratio for accommodation and catering industry in the six months ended June 30, 2024 was primarily attributable to the downgrade of certain loans in response to the changes in repayment capability of relevant borrowers engaged in hotel business as a result of operational difficulties, which led to a corresponding increase in the provisions made thereof.

Financial Investments

Financial investments are another important component of our assets. Our net financial investments amounted to RMB21,754.2 million, RMB24,167.3 million, RMB29,998.3 million and RMB33,781.5 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, representing 31.8%, 30.1%, 32.1% and 33.7% of our total assets as of the same respective dates, respectively.

Except as otherwise indicated, the following discussion is based on our net financial investments after taking into account the interest accrued and allowance for impairment losses.

Classification of Financial Investments by Business Model and Cashflow Characteristics

Our financial assets are classified in the following measurement categories based on our business model for managing the asset and the cash flow characteristics of the assets:

(i) Amortized cost ("AC");

(ii) Fair value through other comprehensive income ("FVOCI"); or

(iii) Fair value through profit or loss ("FVTPL").

The business model reflects how we manage the assets in order to generate cash flows. That is, whether our objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by us in determining the business model for a group of 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.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, we assess whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, we consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. For details, see Note 2.3.4 of Appendix I to this Prospectus. We have implemented comprehensive policies to control the risks associated with financial investments. See "Risk Management – Credit Risk Management – Credit Risk Management of Our Financial Market Business – Credit Risk Management of Debt Securities Investment and SPV Investment."

The following table sets forth the distribution of our financial investments by business model and cashflow characteristics as of the dates indicated. For further details on the components of each category of our financial investments, see Notes 19, 20 and 21 of Appendix I to this Prospectus.

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Financial investments at fair value through profit or loss	4,513.5	20.7	6,223.7	25.8	6,268.8	20.9	6,795.2	20.1
Financial investments at fair value through other comprehensive income	11,759.0	54.1	10,136.0	41.9	15,945.9	53.2	20,395.4	60.5
Financial investments at amortized cost	5,481.6	25.2	7,807.5	32.3	7,783.6	25.9	6,590.9	19.5
Net financial investments	21,754.2	100.0	24,167.3	100.0	29,998.3	100.0	33,781.5	100.0

The changes in our net financial investments with different measurement methods were primarily attributable to the changes of focus in our business model and investment intent based on the market conditions.

Our net financial investments at fair value through profit or loss comprised debt securities, funds, wealth management products, asset management plans and unlisted stocks. Our financial investments at fair value through profit or loss increased by 37.9% from RMB4,513.5 million as of December 31, 2021 to RMB6,223.7 million as of December 31, 2022, primarily due to an increase in debt securities and funds. Our net financial investments at fair value through profit or loss remained relatively stable at RMB6,223.7 million as of December 31, 2022 and RMB6,268.8 million as of December 31, 2023. Our financial investments at fair value through profit or loss increased by 8.4% from RMB6,268.8 million as of December 31, 2023 to RMB6,795.2 million as of June 30, 2024, primarily due to an increase in funds, which was partially offset by a decrease in wealth management products.

Our net financial investments at fair value through other comprehensive income comprised debt securities issued by governments, financial institutions and companies, as well as interbank certificates of deposits. Our net financial investments at fair value through other comprehensive income decreased by 13.8% from RMB11,759.0 million as of December 31, 2021 to RMB10,136.0 million as of December 31, 2022, primarily due to a decrease in debt securities issued by financial institutions and companies, which was partially offset by an increase in debt securities issued by governments, as well as an increase in interbank certificates of deposit. Our net financial investments at fair value through other comprehensive income increased by 57.3% from RMB10,136.0 million as of December 31, 2022 to RMB15,945.9 million as of December 31, 2023, primarily due to increases in interbank certificates of deposit and debt securities issued by financial institutions. Our net financial investments at fair value through other comprehensive income increased by 27.9% from RMB15,945.9 million as of December 31, 2023 to RMB20,395.4 million as of June 30, 2024, primarily due to increases in interbank certificates of deposit and debt securities issued by governments and financial institutions.

Our net financial investments at amortized cost comprised debt securities and debt financing instruments. Our net financial investments at amortized cost increased by 42.4% from RMB5,481.6 million as of December 31, 2021, to RMB7,807.5 million as of December 31, 2022, primarily due to an increase in debt securities. Our net financial investments at amortized cost remained relatively stable at RMB7,807.5 million as of December 31, 2022 and RMB7,783.6 million as of December 31, 2023. Our net financial investments at amortized cost decreased by 15.3% from RMB7,783.6 million as of December 31, 2023 to RMB6,590.9 million as of June 30, 2024, primarily due to a decrease in debt securities.

In addition, the ECL rate of our financial investments at amortized cost remained relatively stable at 0.03%, 0.00%, 0.00% and 0.00% as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, primarily attributable to our investments in low-risk assets such as government bonds, local government bonds and policy bank bonds.

Distribution of Financial Investments by Remaining Contract Maturity

The following table sets forth the distribution of our financial investments by remaining contract maturity as of the date indicated:

	As of June 30, 2024					
	Up to 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**Indefinite**	**Total**
	(RMB in millions)					
Financial investments at fair value through profit or loss	470.3	1,533.5	3,443.7	129.3	1,218.4	6,795.2
Financial investments at fair value through comprehensive income	4,393.3	5,450.2	6,276.0	4,254.0	21.9	20,395.4
Financial investments at amortized cost	–	–	1,085.3	5,505.6	–	6,590.9
Net financial investments	4,863.6	6,983.7	10,805.0	9,888.9	1,240.3	33,781.5

Distribution of Financial Investments by Product Type

Our financial investments consist primarily of debt securities investment, SPV investment. Our SPV investment mainly comprises our investment through asset management plans, funds and wealth management products. The following table sets forth the components of our financial investments as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Debt securities investment	21,122.3	97.1	23,527.2	97.4	28,961.1	96.6	32,372.1	95.8
SPV investment								
– Asset management plans	559.4	2.6	406.9	1.7	221.1	0.7	191.0	0.6
– Funds	–	–	200.0	0.8	480.6	1.6	1,184.7	3.5
– Wealth management products	–	–	–	–	300.1	1.0	–	0.0
Other financial investments[1]	72.5	0.3	33.2	0.1	35.4	0.1	33.7	0.1
Net financial investments	21,754.2	100.0	24,167.3	100.0	29,998.3	100.0	33,781.5	100.0

Note:

(1) Primarily consist of debt financing instruments and unlisted stocks.

Debt Securities Investment

Debt securities investment accounted for 97.1%, 97.4%, 96.6% and 95.8% of our total financial investments as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our debt securities investment mainly comprises investments in debt securities issued by the PRC government, PRC policy banks and China Development Bank, PRC commercial banks, enterprises in the PRC and PRC securities firms. All of the debt securities we held as of December 31, 2021, 2022 and 2023 and June 30, 2024 were denominated in Renminbi. The following table sets forth the components of our debt securities investment classified by issuer as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Debt securities issued by:								
PRC commercial banks	5,863.4	27.8	4,834.2	20.6	7,976.6	27.5	11,879.8	36.8
PRC government	8,645.1	40.9	8,793.7	37.4	9,672.9	33.4	10,298.6	31.8
– Central government	3,059.1	14.5	1,913.4	8.1	1,473.4	5.1	1,693.0	5.2
– Local government[1]	5,586.0	26.4	6,880.3	29.2	8,199.5	28.3	8,605.6	26.6
PRC policy banks and China Development Bank	3,648.6	17.3	7,723.6	32.8	8,623.9	29.8	7,697.1	23.8
Enterprises in the PRC	2,965.2	14.0	2,145.2	9.1	2,655.1	9.2	2,462.9	7.6
PRC securities firms	–	–	30.5	0.1	32.6	0.1	33.7	0.1
Total debt securities investment	21,122.3	100.0	23,527.2	100.0	28,961.1	100.0	32,372.1	100.0

Note:

(1) Our investments in debt securities issued by the PRC local governments during the Track Record Period were not related to LGFVs.

Our investment in debt securities increased by 11.4% from RMB21,122.3 million as of December 31, 2021 to RMB23,527.2 million as of December 31, 2022, primarily due to an increase in our holding of debt securities issued by the PRC policy banks and China Development Bank. Our investment in debt securities increased by 23.1% from RMB23,527.2 million as of December 31, 2022 to RMB28,961.1 million as of December 31, 2023, and further increased by 11.8% to RMB32,372.1 million as of June 30, 2024, primarily due to an increase in our holding of debt securities issued by the PRC commercial banks.

Our holding of debt securities issued by the PRC commercial banks decreased by 17.6% from RMB5,863.4 million as of December 31, 2021 to RMB4,834.2 million as of December 31, 2022, primarily due to the adjustment to our debt securities investment strategy taking into account factors such as liquidity, profitability and credit risk control. Our holding of debt securities issued by the PRC commercial banks increased by 65.0% from RMB4,834.2 million as of December 31, 2022 to RMB7,976.6 million as of December 31, 2023, and further increased by 48.9% to RMB11,879.8 million as of June 30, 2024, primarily due to our increased allocation to risk-controllable debt securities issued by the PRC commercial banks with relatively high interest rates.

Our holding of debt securities issued by the PRC government remained relatively stable at RMB8,645.1 million as of December 31, 2021 and RMB8,793.7 million as of December 31, 2022. Our holding of debt securities issued by the PRC government increased by 10.0% from RMB8,793.7 million as of December 31, 2022 to RMB9,672.9 million as of December 31, 2023, and further increased by 6.5% to RMB10,298.6 million as of June 30, 2024, primarily due to our increased allocation to debt securities issued by the PRC governments with relatively stable interest rates and low risk.

Our holding of debt securities issued by the PRC policy banks and China Development Bank increased by 111.7% from RMB3,648.6 million as of December 31, 2021 to RMB7,723.6 million as of December 31, 2022, and further increased by 11.7% to RMB8,623.9 million as of December 31, 2023, primarily due to our increased allocation to risk-controllable debt securities issued by the PRC policy banks and China Development Bank with relatively stable interest and low risk. Our holding of debt securities issued by the PRC policy banks and China Development Bank decreased by 10.7% from RMB8,623.9 million as of December 31, 2023 to RMB7,697.1 million as of June 30, 2024, primarily due to the maturity of certain debt securities.

Our holding of debt securities issued by enterprises in the PRC decreased by 27.7% from RMB2,965.2 million as of December 31, 2021 to RMB2,145.2 million as of December 31, 2022, primarily due to our decreased allocation to debt securities issued by enterprises in the PRC to control our credit risk exposure. Our holding of debt securities issued by enterprises in the PRC increased by 23.8% from RMB2,145.2 million as of December 31, 2022 to RMB2,655.1 million as of December 31, 2023, primarily due to our increased allocation to risk-controllable debt securities issued by the enterprises in the PRC with relatively high interest rates. Our holding of debt securities issued by enterprises in the PRC decreased by 7.2% from RMB2,655.1 million as of December 31, 2023 to RMB2,462.9 million as of June 30, 2024, primarily due to our decreased allocation to debt securities issued by enterprises in the PRC to control our credit risk exposure.

Our holding of debt securities issued by the PRC securities firms increased from nil as of December 31, 2021 to RMB30.5 million as of December 31, 2022, primarily due to our allocation to risk-controllable debt securities issued by the PRC securities firms with relatively high interest rates. Our holding of debt securities issued by the PRC securities firms increased by 6.9% from RMB30.5 million as of December 31, 2022 to RMB32.6 million as of December 31, 2023, primarily due to our increased allocation to risk-controllable debt securities issued by the PRC securities firms with relatively high interest rates. Our holding of debt securities issued by the PRC securities firms remained relatively stable at RMB32.6 million as of December 31, 2023 and RMB33.7 million as of June 30, 2024.

The following table sets forth the balance of our debt securities portfolio by remaining contract maturity as of the date indicated:

	As of June 30, 2024					
	Due in 3 months or less	**Due in over 3 months up to 1 year**	**Due in over 1 year up to 5 years**	**Due in more than 5 years**	**Indefinite**	**Total**
	(RMB in millions)					
Debt securities issued by:						
PRC commercial banks	4,289.9	5,262.6	2,327.3	–	–	11,879.8
PRC government	471.7	123.0	4,411.1	5,292.8	–	10,298.6
PRC policy banks and China Development Bank	51.4	1,096.1	2,313.6	4,236.0	–	7,697.1
Enterprises in the PRC	50.7	306.2	1,724.0	360.1	21.9	2,462.9
PRC securities firms	–	19.5	14.2	–	–	33.7
Total debt securities	4,863.7	6,807.4	10,790.2	9,888.9	21.9	32,372.1

The following table sets forth the distribution of our debt securities investment by nature as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Financial investments at fair value through profit or loss	3,954.1	18.7	5,583.7	23.7	5,231.6	18.0	5,385.8	16.6
Financial investments at fair value through other comprehensive income	11,759.0	55.7	10,136.0	43.1	15,945.9	55.1	20,395.4	63.0
Financial investments at amortized cost	5,409.2	25.6	7,807.5	33.2	7,783.6	26.9	6,590.9	20.4
Total debt securities investment	21,122.3	100.0	23,527.2	100.0	28,961.1	100.0	32,372.1	100.0

The following table sets forth a breakdown of our debt securities investment between fixed interest rates and floating interest rates as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Fixed interest rates	21,122.3	100.0	23,107.4	98.2	28,539.7	98.5	31,949.0	98.7
Floating interest rates	–	–	419.8	1.8	421.4	1.5	423.1	1.3
Total debt securities investment	21,122.3	100.0	23,527.2	100.0	28,961.1	100.0	32,372.1	100.0

SPV Investment

Our SPV investment mainly comprises investments through asset management plans, funds and wealth management products, where we entrust our counterparties to manage our funds. Our counterparties will then provide financing to financing parties/ultimate borrowers or invest our funds in specific investment portfolios. All of the SPV investments we held as of December 31, 2021, 2022 and 2023 and June 30, 2024 were denominated in Renminbi. See "Business – Our Principal Business Lines – Financial Markets – Financial Investment Business."

Asset Management Plans

Our holding of asset management plans during the Track Record Period was measured at fair value through profit or loss. Our holding of asset management plans decreased by 27.3% from RMB559.4 million as of December 31, 2021 to RMB406.9 million as of December 31, 2022, then decreased by 45.7% to RMB221.1 million as of December 31, 2023, and further decreased by 13.6% to RMB191.0 million as of June 30, 2024, primarily due to our strategy to decrease investment in asset management plan and diversify our investment assets.

Funds

Our holding of funds during the Track Record Period was measured at fair value through profit or loss. Our holding of funds increased from nil as of December 31, 2021 to RMB200.0 million as of December 31, 2022, then increased significantly to RMB480.6 million as of December 31, 2023, and further increased significantly to RMB1,184.7 million as of June 30, 2024, primarily due to the increased investment in funds as we diversified our investment assets based on our strategic decision to allocate more resources into various funds, thereby enhancing our potential for returns and mitigating risk through diversification. As of June 30, 2024, we held public bond funds of RMB202.7 million and public money funds of RMB982.0 million. As of June 30, 2024, we did not hold any private fund. See "– Investment Concentration – Concentration of Investment in Fund."

Wealth Management Products

Our holding of wealth management products during the Track Record Period was measured at fair value through profit or loss. Our holding of wealth management products was nil as of December 31, 2021 and 2022, respectively. Our holding of wealth management products increased from nil as of December 31, 2022 to RMB300.1 million as of December 31, 2023, primarily due to the increased investment in non-principal protected wealth management product as we diversified our investment assets. Our holding of wealth management products decreased from RMB300.1 million as of December 31, 2023 to nil as of June 30, 2024, primarily because we redeemed the wealth management products.

Investment Concentration

The following table sets forth the ten largest holdings of financial investments as of the date indicated:

	As of June 30, 2024							
	Type of financial investment	Underlying financial assets	Background of the issuer	Credit rating(1)	Carrying value	% of net financial investments	% of total equity	% of net capital
					(RMB in millions)	*(%)*	*(%)*	*(%)*
Investment A	Debt securities investment	Debt securities	PRC policy bank	–	950.0	2.8	9.9	9.3
Investment B	Debt securities investment	Debt securities	PRC policy bank	–	887.9	2.6	9.3	8.7
Investment C	Debt securities investment	Debt securities	PRC local government	AAA	573.8	1.7	6.0	5.6
Investment D	Debt securities investment	Debt securities	China Development Bank	–	552.6	1.6	5.7	5.4
Investment E	Fund investment	Debt securities	Fund management company	–	464.5	1.4	4.8	4.6
Investment F	Debt securities investment	Debt securities	PRC central government	–	418.0	1.2	4.3	4.1
Investment G	Debt securities investment	Debt securities	PRC local government	AAA	416.7	1.2	4.3	4.1
Investment H	Debt securities investment	Debt securities	China Development Bank	–	408.7	1.2	4.3	4.0
Investment I	Debt securities investment	Debt securities	PRC local government	AAA	369.7	1.1	3.8	3.6
Investment J	Debt securities investment	Debt securities	PRC central government	–	337.4	1.0	3.5	3.3
Total					5,379.3	15.8	55.8	52.7

Note:

(1) Refers to the domestic credit rating for the debt securities.

Concentration of Investment in Asset Management Plan

The following table sets forth the counterparties for our investment in asset management plans as of the dates indicated:

	As of June 30, 2024				
	Type of enterprise	Background	Total assets	Amount	% of investment in asset management plans
	(RMB in millions, except for percentages)				
Asset management plan counterparty A	Securities company	State-owned	94,522.0	176.3	92.3
Asset management plan counterparty B	Fund company	State-owned	2,311.7	14.7	7.7
Total				191.0	100.0

	As of December 31, 2023				
	Type of enterprise	Background	Total assets	Amount	% of investment in asset management plans
	(RMB in millions, except for percentages)				
Asset management plan counterparty A	Securities company	State-owned	99,548.0	206.4	93.4
Asset management plan counterparty B	Fund company	State-owned	2,361.0	14.7	6.6
Total				221.1	100.0

	As of December 31, 2022				
	Type of enterprise	**Background**	**Total assets**	**Amount**	**% of investment in asset management plans**
	(RMB in millions, except for percentages)				
Asset management plan counterparty A[1]	Securities company	State-owned	98,208.3	392.0	96.3
Asset management plan counterparty B	Fund company	State-owned	2,335.8	14.9	3.7
Total				406.9	100.0

Note:

(1) Transformed from partially state-owned and partially private-owned to state-owned in 2022.

	As of December 31, 2021				
	Type of enterprise	**Background**	**Total assets**	**Amount**	**% of investment in asset management plans**
	(RMB in millions, except for percentages)				
Asset management plan counterparty A	Securities company	Partially state-owned and partially private-owned	96,559.1	531.5	95.0
Asset management plan counterparty B	Fund company	State-owned	1,832.8	27.9	5.0
Total				559.4	100.0

Concentration of Investment in Fund

The following table sets forth the counterparty for our investment in funds as of the dates indicated:

	As of June 30, 2024				
	Type of enterprise	Background	Total assets	Amount	% of investment in asset management plans
	(RMB in millions, except for percentages)				
Fund investment counterparty A	Fund company	State-owned	798.0	464.50	39.3
Fund investment counterparty B	Fund company	State-owned	13,828.2	308.00	26.0
Fund investment counterparty C	Asset management company	State-owned	10,106.0	202.70	17.1
Fund investment counterparty D	Fund company	Private	3,115.0	109.50	9.2
Fund investment counterparty E	Fund company	Private	26,443.5	100.00	8.4
Total				1,184.7	100.0

	As of December 31, 2023				
	Type of enterprise	Background	Total assets	Amount	% of investment in funds
	(RMB in millions, except for percentages)				
Fund investment counterparty A	Fund company	State-owned	781.4	280.5	58.4
Fund investment counterparty B	Asset management company	State-owned	10,638.5	200.1	41.6

	As of December 31, 2022				
	Type of enterprise	Background	Total assets	Amount	% of investment in funds
	(RMB in millions, except for percentages)				
Fund investment counterparty A	Asset management company	State-owned	9,118.6	200.0	100.0

Concentration of Investment in Wealth Management Product

The following table sets forth the counterparty for our investment in wealth management products as of the dates indicated:

	As of December 31, 2023				
	Type of financial institution	Background	Total assets	Amount	% of investment in wealth management products
	(RMB in millions, except for percentages)				
Bank A	PRC commercial bank	State-owned	833,271.9	300.1	100.0
Total				300.1	100.0

Other Components of Our Assets

Other components of our assets primarily consisted of (i) financial assets held under resale agreements, due from other banks and other financial institutions; (ii) cash and balances with central bank; (iii) deferred tax assets; (iv) property, plant and equipment; (v) right-of-use assets; and (vi) other assets. Our other components of assets collectively accounted for 18.6%, 17.3%, 15.0% and 13.6% of our total assets as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

Our financial assets held under resale agreements, due from other banks and other financial institutions primarily represented our (i) deposits with domestic banks and other financial institutions; (ii) placements with domestic banks and other financial institutions; and (iii) financial assets held under resale agreements. Our financial assets held under resale agreements, due from other banks and other financial institutions increased by 58.5% from

RMB4,118.1 million as of December 31, 2021 to RMB6,527.6 million as of December 31, 2022 corresponding with the growth of our interbank market business. Our financial assets held under resale agreements, due from other banks and other financial institutions decreased by 14.2% from RMB6,527.6 million as of December 31, 2022 to RMB5,600.6 million as of December 31, 2023, primarily due to our decreased reverse repurchase transactions as a result of our strategic adjustment to financial asset portfolio. Our financial assets held under resale agreements, due from other banks and other financial institutions increased by 16.2% from RMB5,600.6 million as of December 31, 2023 to RMB6,506.4 million as of June 30, 2024, primarily due to our increased repurchase transactions taking into account our liquidity and market condition.

Our cash and balances with central bank consist primarily of cash, statutory deposit reserves, surplus deposit reserves and fiscal deposits with PBoC. Mandatory deposit reserves represent the minimum level of cash deposits that we are required to maintain with the PBoC. The minimum level is determined as a percentage of our deposits from customers. Surplus deposit reserves are deposits with PBoC in excess of statutory deposit reserves, which we maintain with PBoC for liquidity purposes. Our cash and balances with central bank decreased by 18.7% from RMB6,871.1 million as of December 31, 2021 to RMB5,586.5 million as of December 31, 2022, primarily because PBoC lowered the statutory deposit reserve ratio. Our cash and balances with central bank increased by 17.7% from RMB5,586.5 million as of December 31, 2022 to RMB6,577.0 million as of December 31, 2023, primarily due to an increase in statutory deposit reserves with PBoC corresponding with our increased customer deposits in 2023. Our cash and balances with central bank decreased by 19.6% from RMB6,577.0 million as of December 31, 2023 to RMB5,290.1 million as of June 30, 2024, primarily due to (i) the relatively high levels of cash and surplus deposit reserves at the PBoC at the end of 2023 to manage liquidity needs, and (ii) the decreased surplus deposit reserves at the PBoC led by our increased cash utilization as compared to the end of 2023.

In addition, the ECL rate of our financial assets held under resale agreements, due from other banks and other financial institutions measured at amortized cost was 5.93%, 3.87%, 4.48% and 4.21% as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our ECL rate for financial assets held under resale agreements, due from other banks and other financial institutions measured at amortized cost decreased from 5.93% as of December 31, 2021 to 3.87% as of December 31, 2022, primarily due to an increase in the financial assets held under resale agreements, due from other banks and other financial institutions measured at amortized cost in 2022 compared to 2021. Our ECL rate for these assets increased from 3.87% as of December 31, 2022 to 4.48% as of December 31, 2023, primarily because we implemented more stringent standards to measure the expected credit loss. Our ECL rate for financial assets held under resale agreements, due from other banks and other financial institutions measured at amortized cost decreased from 4.48% as of December 31, 2023 to 4.21% as of June 30, 2024, primarily due to the improved credit rating of counterparties.

Our deferred tax assets increased by 14.2% from RMB928.7 million as of December 31, 2021 to RMB1,060.7 million as of December 31, 2022, and further increased by 5.1% to RMB1,114.6 million as of December 31, 2023, primarily attributable to the increase in the balance of our provision of impairment. Our deferred tax assets remained relatively stable at RMB1,114.6 million as of December 31, 2023 and RMB1,122.6 million as of June 30, 2024.

Our property, plant and equipment decreased by 9.1% at RMB379.3 million as of December 31, 2021 to RMB344.6 million as of December 31, 2022, primarily due to the depreciation in property, plant and equipment during such period. Our property, plant and equipment remained relatively stable at RMB344.6 million as of December 31, 2022, RMB335.2 million as of December 31, 2023 and RMB324.9 million as of June 30, 2024.

Our right-of-use assets decreased by 7.4% from RMB28.5 million as of December 31, 2021 to RMB26.4 million as of December 31, 2022, primarily due to the depreciation of right-of-use assets during such period. Our right-of-use assets increased by 22.0% from RMB26.4 million as of December 31, 2022 to RMB32.2 million as of December 31, 2023, primarily due to the increased number of our leased properties. Our right-of-use assets decreased by 14.0% from RMB32.2 million as of December 31, 2023 to RMB27.7 million as of June 30, 2024, primarily due to the depreciation of right-of-use assets during such period.

Our other assets mainly included other receivables and foreclosed assets. Our other assets decreased by 12.4% from RMB444.6 million as of December 31, 2021 to RMB389.3 million as of December 31, 2022, primarily due to a decrease in other receivables. Our other assets increased by 5.6% from RMB389.3 million as of December 31, 2022 to RMB411.2 million as of December 31, 2023, primarily due to an increase in listing expenses to be capitalized. Our other assets remained relatively stable at RMB411.2 million as of December 31, 2023 and RMB413.9 million as of June 30, 2024.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities increased by 19.0% from RMB60,306.6 million as of December 31, 2021 to RMB71,745.3 million as of December 31, 2022, then increased by 17.3% to RMB84,157.5 million as of December 31, 2023, and further increased by 7.6% to RMB90,578.5 million as of June 30, 2024, primarily due to the increase in customer deposits.

The following table sets forth the components of our total liabilities (including accrued interest) as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Customer deposits	48,342.7	80.2	59,393.8	82.8	71,439.1	84.9	80,463.2	88.8
Financial assets sold under repurchase agreements, due to other banks and financial institutions	6,239.8	10.3	5,150.1	7.2	6,263.1	7.4	6,687.5	7.4

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Borrowings from central bank	999.0	1.7	1,880.1	2.6	2,198.0	2.6	1,964.1	2.2
Debt securities issued	4,182.3	6.9	4,466.8	6.2	3,279.0	3.9	467.5	0.5
Taxes payable	108.7	0.2	253.2	0.4	237.6	0.3	146.7	0.2
Lease liabilities	21.7	0.0	16.3	0.0	26.5	0.0	23.9	0.0
Other liabilities[1]	412.4	0.7	585.0	0.8	714.2	0.9	825.6	0.9
Total liabilities	60,306.6	100.0	71,745.3	100.0	84,157.5	100.0	90,578.5	100.0

Note:

(1) Other liabilities consist primarily of other payables, settlement and clearance payables and employee benefits payable. See Note 32 of Appendix I to this Prospectus.

Customer Deposits

Customer deposits have historically been our primary source of funding. Our customer deposits are reported including accrued interest on our consolidated statement of financial position. Unless otherwise indicated, the following discussions are based on our total customer deposits excluding accrued interest. During the Track Record Period, our customer deposits (excluding accrued interest) represented 78.6%, 81.1%, 82.9% and 86.7% of our total liabilities as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. We provide demand and time deposit products to corporate and retail banking customers. The following table sets forth our deposits from corporate and retail banking customers by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Corporate deposits								
Demand	18,641.3	39.3	19,724.9	33.9	17,803.2	25.5	20,164.0	25.7
Time	8,727.6	18.4	13,317.4	22.9	19,946.8	28.6	19,371.0	24.7
Subtotal	27,368.9	57.7	33,042.3	56.8	37,750.0	54.1	39,535.0	50.4

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Personal deposits								
Demand	3,990.8	8.4	4,833.8	8.3	4,929.9	7.1	5,135.8	6.5
Time	16,064.8	33.9	20,328.0	34.9	27,111.8	38.8	33,835.8	43.1
Subtotal	20,055.5	42.3	25,161.8	43.2	32,041.7	45.9	38,971.6	49.6
Total customer deposits (excluding accrued interest)	47,424.5	100.0	58,204.1	100.0	69,791.7	100.0	78,506.6	100.0

Our total customer deposits (excluding accrued interest) increased by 22.7% from RMB47,424.5 million as of December 31, 2021 to RMB58,204.1 million as of December 31, 2022, then increased by 19.9% to RMB69,791.7 million as of December 31, 2023, and further increased by 12.5% to RMB78,506.6 million as of June 30, 2024, primarily attributable to our continuous efforts in developing and expanding corporate banking and retail banking customer base and diversifying our product portfolio to develop deposit businesses.

Our corporate deposits increased by 20.7% from RMB27,368.9 million as of December 31, 2021 to RMB33,042.3 million as of December 31, 2022, then increased by 14.2% to RMB37,750.0 million as of December 31, 2023, and further increased by 4.7% to RMB39,535.0 million as of June 30, 2024, primarily attributable to our continuous efforts in developing and marketing corporate banking business to expand our customer base in medium-sized and small enterprises. See "Business – Our Principal Business Lines – Corporate Banking – Corporate Deposits."

Our personal deposits increased by 25.5% from RMB20,055.5 million as of December 31, 2021 to RMB25,161.8 million as of December 31, 2022, then increased by 27.3% to RMB32,041.7 million as of December 31, 2023, and further increased by 21.6% to RMB38,971.6 million as of June 30, 2024, primarily attributable to our continuous introduction of diverse saving products to expand retail banking customers. See "Business – Our Principal Business Lines – Retail Banking – Personal Deposits."

Distribution of Customer Deposits by Region

We classify the geographic distribution of deposits based on the location of the branch or sub-branch taking the deposits. The following table sets forth the distribution of our customer deposits by region as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Sichuan								
Yibin	42,146.8	88.9	52,328.3	89.9	63,027.7	90.3	70,714.6	90.1
Neijiang	5,277.7	11.1	5,875.8	10.1	6,764.0	9.7	7,792.0	9.9
Total customer deposits (excluding accrued interest)	47,424.5	100.0	58,204.1	100.0	69,791.7	100.0	78,506.6	100.0

Distribution of Customer Deposits by Remaining Contract Maturity

The following table sets forth the distribution of our customer deposits by remaining contract maturity as of the date indicated:

	As of June 30, 2024				
	Repayable on demand	**Due in 3 months or less**	**Due in over 3 months up to 12 months**	**Due in over 1 year up to 5 years**	**Total**
	(RMB in millions)				
Corporate deposits	20,245.3	3,289.2	6,602.5	9,398.0	39,535.0
Personal deposits	5,253.7	2,259.3	9,170.8	22,287.8	38,971.6
Total customer deposits (excluding accrued interest)	25,499.0	5,548.5	15,773.3	31,685.8	78,506.6

Distribution of Corporate Deposits by Size

The following table sets forth the distribution of our corporate deposits, in terms of total balance of deposits from a single corporate banking customer, by size of the deposits as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Over RMB100 million	16,269.3	59.4	20,648.7	62.4	26,651.7	70.6	28,872.2	73.0
Over RMB50 million to RMB100 million (inclusive)	3,409.3	12.5	3,921.6	11.9	3,017.2	8.0	3,147.7	8.0
Over RMB10 million to RMB50 million (inclusive)	5,083.1	18.6	5,436.8	16.5	4,841.2	12.8	4,671.2	11.8
Over RMB5 million to RMB10 million (inclusive)	910.5	3.3	1,107.3	3.4	1,210.0	3.2	898.9	2.3
Up to RMB5 million	1,696.7	6.2	1,927.8	5.8	2,029.9	5.4	1,945.0	4.9
Total corporate deposits	27,368.9	100.0	33,042.2	100.0	37,750.0	100.0	39,535.0	100.0

Distribution of Personal Deposits by Size

The following table sets forth the distribution of our personal deposits, in terms of total balance of deposits from a single retail banking customer, by size of the deposits as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Over RMB5 million	503.0	2.5	820.3	3.3	1,027.0	3.2	1,341.1	3.4
Over RMB500,000 to RMB5 million (inclusive)	5,752.1	28.7	7,652.5	30.4	10,417.7	32.5	13,324.5	34.2

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)							
Over RMB100,000 to RMB500,000 (inclusive)	9,990.6	49.8	12,438.7	49.4	15,729.2	49.1	18,965.5	48.7
Up to RMB100,000	3,809.9	19.0	4,250.4	16.9	4,867.8	15.2	5,340.5	13.7
Total personal deposits	20,055.5	100.0	25,161.9	100.0	32,041.7	100.0	38,971.6	100.0

Other Components of Our Liabilities

Other components of our liabilities consisted primarily of (i) financial assets sold under repurchase agreements, due to other banks and financial institutions; (ii) borrowings from central bank; (iii) debt securities issued; (iv) taxes payable; (v) lease liabilities; and (vi) other liabilities. Our other components of liabilities collectively accounted for 19.8%, 17.2%, 15.1% and 11.2% of our total liabilities as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

Our financial assets sold under repurchase agreements, due to other banks and financial institutions decreased by 17.5% from RMB6,239.8 million as of December 31, 2021, to RMB5,150.1 million as of December 31, 2022, primarily due to our decreased repurchase transactions in light of our sufficient liquidity that reduced needs for short-term financing. Our financial assets sold under repurchase agreements, due to other banks and financial institutions increased by 21.6% from RMB5,150.1 million as of December 31, 2022 to RMB6,263.1 million as of December 31, 2023, and further increased by 6.8% to RMB6,687.5 million as of June 30, 2024, primarily as a result of the increase in deposits from certain banks.

Our borrowings from central bank increased by 88.2% from RMB999.0 million as of December 31, 2021 to RMB1,880.1 million as of December 31, 2022, and further increased by 16.9% to RMB2,198.0 million as of December 31, 2023, primarily due to our continuous effort to scale up and pool the low-cost funds obtained from the central bank to support the small and micro enterprises through the relending mechanism ("支小再貸款"). Our borrowings from central bank decreased by 10.6% from RMB2,198.0 million as of December 31, 2023 to RMB1,964.1 million as of June 30, 2024, primarily due to the maturity of certain borrowings from central bank.

Our debt securities issued represented interbank certificates of deposit. Our debt securities issued amounted to RMB4,182.3 million, RMB4,466.8 million, RMB3,279.0 million and RMB467.5 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. See "Financial Information – Capital Resources – Debt."

Our taxes payable increased by 132.9% from RMB108.7 million as of December 31, 2021 to RMB253.2 million as of December 31, 2022, primarily due to the adjustments in our quarterly tax prepayment schedule that affected the year-end payables as of December 31, 2022. Our taxes payable decreased by 6.2% from RMB253.2 million as of December 31, 2022 to RMB237.6 million as of December 31, 2023, primarily due to the decreased taxable income mainly as a result of the change from losses to gains on changes in fair value of financial assets at fair value through profit or loss. Our taxes payable decreased by 38.3% from RMB237.6 million as of December 31, 2023 to RMB146.7 million as of June 30, 2024, primarily due to the settlement of taxes payable accrued as of December 31, 2023.

Our lease liabilities decreased by 24.9% from RMB21.7 million as of December 31, 2021 to RMB16.3 million as of December 31, 2022, primarily due to the decrease in the number of our leased properties. Our lease liabilities increased by 62.6% from RMB16.3 million as of December 31, 2022 to RMB26.5 million as of December 31, 2023, primarily due to the increase in the number of our leased properties. Our lease liabilities decreased by 9.8% from RMB26.5 million as of December 31, 2023 to RMB23.9 million as of June 30, 2024, primarily due to the payment of rents for leased properties.

Our other liabilities consisted primarily of settlement and clearance payable, employee benefits payable, dividends payables and other payables. Our other liabilities increased by 41.9% from RMB412.4 million as of December 31, 2021 to RMB585.0 million as of December 31, 2022, primarily due to the increases in other payables and settlement and clearance payables. Our other liabilities increased by 22.1% to RMB714.2 million as of December 31, 2023, primarily due to the increase in settlement and clearance payables. Our other liabilities increased by 15.6% from RMB714.2 million as of December 31, 2023 to RMB825.6 million as of June 30, 2024, primarily due to the increase in dividends payables.

You should read the discussion and analysis set forth in this section in conjunction with our historical financial information, together with the accompanying notes, included in Appendix I to this Prospectus. Our historical financial information has been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Prospectus, including, but not limited to, "Risk Factors," "Forward-Looking Statements," and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to the financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Incorporated in 2006, we are a city commercial bank in Yibin, Sichuan Province of China. As of December 31, 2023, we were the largest bank in Yibin in terms of total assets, according to the NAFR Yibin Office, as well as the largest city commercial bank in Yibin and the second largest city commercial bank in Sichuan Province in terms of registered capital as of the same date, according to the NAFR Sichuan Office. Since our inception, we have been closely integrated with the vibrant local economy of Yibin and Sichuan Province, providing tailored financial services to meet the specific needs of local businesses and residents.

We have achieved strong growth during the Track Record Period. Our total assets increased by 17.4% from RMB68,490.4 million as of December 31, 2021 to RMB80,413.3 million as of December 31, 2022, and further increased by 16.2% to RMB93,444.0 million as of December 31, 2023. Our total assets increased by 7.2% from RMB93,444.0 million as of December 31, 2023 to RMB100,192.8 million as of June 30, 2024. In addition, our operating income increased by 15.2% from RMB1,620.8 million in 2021 to RMB1,867.0 million in 2022, and further increased by 16.2% to RMB2,169.8 million in 2023. Our operating income remained relatively stable at RMB1,075.9 million and RMB1,078.0 million in the six months ended June 30, 2023 and 2024, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

Economic and Industrial Development of Yibin

As a city commercial bank headquartered in Yibin, our financial conditions and results of operations are influenced by local economic and industrial development. Despite China's recent transition to the "New Normal" economic stage, Yibin have sustained rapid growth, largely attributed to favorable policy initiatives and government support for infrastructure construction, trade and economic development. Over the years from 2019 to 2023, Yibin's GDP experienced a significant growth at a CAGR of 10.0% which is higher than the CAGR of 6.7% of Sichuan and the CAGR of 6.3% of China over the same period. In 2023, Yibin's regional GDP reached approximately RMB380.7 billion, representing a year-on-year increase of 7.5% from 2022. The rapid industrial development of Yibin has contributed to the overall economic vitality of the region and shaped the dynamics of our financial products and services. We anticipate that the economy of Yibin will continue to grow in the future, driving a sustained increase in market demand for banking products and services, encompassing our corporate banking, retail banking and financial markets businesses. We believe that with our well-structured financial products and services that are integrated with local economies and industries, we are well-positioned to capture the market opportunities and achieve sustainable growth.

Interest Rate

Our operating income depends substantially on our net interest income. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our net interest income accounted for 85.3%, 93.9%, 82.3%, 80.2% and 76.8% of our total operating income, respectively. Net interest income is affected by interest rates and the average balances of our interest-earning assets and interest-bearing liabilities. Interest rates applicable to us are affected by many factors that are beyond our control, such as the benchmark interest rates set by the PBoC, capital cost, asset risk status and other indicators as the pricing benchmark, customer needs and business operations, the prices of similar products in the industry and competitors, and the business relationship with the customers to determine the product price.

In the PRC, interest rates on Renminbi-denominated loans and deposits are set by financial institutions with reference to the benchmark interest rates on loans and deposits published and adjusted from time to time by the PBoC. The PBoC has, in the past few years, made multiple downward adjustments to the benchmark interest rates for deposits and loans. The PBoC's interest rate adjustments for loans and deposits may be asymmetrical in certain circumstances, which may impact our net interest spread.

In recent years, as part of the government's efforts to reform the financial system to support balanced and sustainable growth, PRC has implemented a series of initiatives to move towards market-based lending and deposits rates. In October 2015, the PBoC lifted the administrative control over deposit rates, allowing market-based pricing through the Market Interest Rate Pricing Self-discipline Mechanism (the "Rate Self-discipline Mechanism"). Under this mechanism, member institutions were granted autonomy in determining deposit rate levels within the upper limits of self-discipline. In June 2021, the PBoC further optimized the formation of the upper limit of deposit rates within the Rate Self-discipline Mechanism. Previously, this limit was calculated by multiplying the benchmark deposit rate by a certain multiple. It has now been revised to be determined by adding a specific basis point. Further, in April 2022, the PBoC established a market-oriented adjustment mechanism within the guidance of the Rate Self-discipline Mechanism, specifically for deposit rates. Member banks of the Rate Self-discipline Mechanism are now encouraged to make reasonable adjustments to deposit rates with reference to the representative rates in the bond and loan markets, which further fosters a market-driven approach to deposit rate pricing while maintaining a well-regulated deposit market competition. In addition, market liquidity and competition may lead to fluctuations in the net interest spread for our interbank business. See "Risk Factors – Risks Relating to the PRC Banking Industry – Further development of interest rate liberalization, PBoC's adjustments to the benchmark interest rate, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our business, financial condition and results of operations."

Regulatory Environment

The PRC banking industry is highly regulated. PRC city commercial banks are mainly regulated by the NAFR and the PBoC. Additionally, PRC city commercial banks are also subject to the supervision and regulation of other regulatory authorities, such as the SAFE, the CSRC, the MOF, the NDRC, the SAT and the SAMR and their authorized branches. See "Regulatory Overview."

In recent years, the PRC government has implemented a series of macroeconomic and monetary policies, including (i) adjusting the benchmark interest rates and the PBoC statutory deposit reserve ratios for commercial banks, as well as gradually liberalizing the regulation of interest rates; (ii) adopting a macro prudential assessment system to monitor banks' capital adequacy ratios, assets and liabilities, liquidity and risk; and (iii) promoting the growth of certain industries, or controlling overcapacity in certain other industries, by issuing industry development guidelines. For example, in 2021, 2022, 2023 and the nine months ended September 30, 2024, the PBoC reduced the statutory deposit reserve ratio by 100 basis points, 50 basis points, 50 basis points and 50 basis points, respectively. On August 15, 2023, the PBoC lowered overnight rates on its standing lending facility by 10 basis points across all tenors. Benefiting from the interest rate liberalization, the LPR maintained a downward trend during the Track Record Period and up to the Latest Practicable Date. Five-year LPR decreased from 4.65% as of January 1, 2021 to 3.60% as of the Latest Practicable Date, while one-year LPR decreased from 3.85% as of January 1, 2021 to 3.10% as of the Latest Practicable Date. These macroeconomic and monetary policies have had a significant impact on lending activities of PRC city commercial banks and borrowers' demand for bank financing, which in turn may affect the business, results of operations and financial condition of PRC city commercial banks, including ours.

Our business, results of operations and financial condition are affected by changes in the PRC banking laws, regulations and policies, such as the scope of business activities that PRC city commercial banks are permitted to engage in, interests and fees that PRC city commercial banks are allowed to charge, and restrictions imposed by regulatory authorities on PRC city commercial banks in respect of credit extended to borrowers in specific industries or specific loan products. We will closely monitor the relevant laws, regulations and policies and seek guidance from relevant regulatory authorities in a timely manner to ensure compliance with these laws, regulations and policies.

Development of China's Capital Markets and Financial Technology

Recently, China has launched a number of initiatives to develop its capital markets, including encouraging enterprises to seek direct financing from the capital markets utilizing different instruments, such as debt securities. These initiatives may affect the results of our corporate banking business. For example, the development of China's debt capital markets may impact our lending business, as certain corporate banking customers may issue debt securities at lower costs to meet their financing needs and thus have lower demand for bank loans.

Furthermore, our business is experiencing both challenges and opportunities arising from technology-based financial service companies, the major financial services provided by PRC's technology-based financial service companies include online personal loans, third-party online and mobile payment, as well as online and mobile wealth management. Similar to other city commercial banks, we are facing challenges from technology-based financial service companies due to various factors, including different regulatory regimes, technological capability, and market penetration. For instance, these technology-based financial service companies bring in innovative service models, lower the threshold and the cost of providing financial services for the public, and improve the customer experience. On the other hand, the development of financial technology has also presented us with emerging opportunities to expand our businesses. For example, we have continuously worked to build up our digital systems and advance our financial technology capabilities, which has empowered us to offer distinctive digitalized services. We also provide supply chain financing solutions through the implementation of a "1+N" supply chain financial model, which allows us to maintain and deepen business relationships with large and medium-sized enterprises while attracting individual business owners and small and micro enterprises along critical industrial chains.

Competitive Landscape in the PRC Banking Industry

We compete primarily with commercial banks operating in Sichuan Province, particular those in Yibin. We also face competition from other banking institutions and non-banking financial institutions such as securities firms, fund management companies, insurance companies and internet financial service providers. The principal competitive factors mainly include product offerings and prices, service quality, brand recognition, distribution networks and information technology capabilities.

In recent years, certain commercial banks in China have completed initial public offerings, which have enabled them to obtain more funding and access to a wider range of financing sources. Therefore, they can offer more innovative products and higher quality services, and have increased their adaptability in a changing market environment. The increase in competition in the PRC banking industry may affect the pricing of our loans and deposits as well as our fee- and commission-based services. See "Business – Competition."

BASIS OF PREPARATION

The consolidated financial statements of our Group have been prepared in accordance with IFRS issued by the International Accounting Standards Board (the "IASB").

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognized and measured in accordance with the relevant policy.

The preparation of the Historical Financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to Historical Financial information are presented in Note 4 of Appendix I to this Prospectus.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain material accounting policies and estimates, which we consider significant in the preparation of our financial statements in accordance with IFRS. These material accounting policies information are set forth in Note 2 of Appendix I to this Prospectus, which are important for an understanding of our financial condition and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 4 of Appendix I to this Prospectus. The preparation of our financial statements requires our management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and judgments are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Application of New and Amendments to IFRS

The principal accounting policies adopted in the preparation of the Historical Financial Information are set out in Note 2.3 of Appendix I to this Prospectus. These policies have been consistently applied to relevant periods presented unless otherwise stated. The initial adoption of new and revised standards throughout the Track Record Period does not result in any material impact on the financial information.

Interest Income and Expense

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit or loss.

We use the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost, presented as "interest income" and interest expenses" respectively. For specific accounting policies, see Note 2.3.4 (d) Subsequent measurement of financial instruments of Appendix I to this Prospectus for related accounting policies.

Fee and Commission Income

Fee and commission income is recognized when we fulfill our performance obligation, either over time or at a point in time when a customer obtains control of the service. For the performance obligations satisfied at a point in time, we recognize revenue when control is passed to the customer at a certain point in time. For the performance obligations satisfied over time, we recognize revenue according to the progress toward satisfaction of the obligation over the time, including wealth management agency service fee and settlement and agency services fee, among others.

Measurement of Expected Credit Loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses).

It requires a lot of significant judgments to measure ECL under relevant accounting standards, such as: (1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key parameters; (2) Criteria for determining a significant increase in credit risk, default and credit impairments; (3) The use of economic scenario, economic indicator and weight for forward-looking measurement; (4) The management's accumulated adjustment for significant uncertainties that are not included in the model; and (5) Future cash flows forecast on corporate loans and debt investments at stage 3.

Fair Value of Financial Instruments

We use valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of ours and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Taxes

There are certain transactions and activities in the ordinary course of our business for which the ultimate tax effect is uncertain. We made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

Consolidation of Structured Entities

Where we act as asset manager of or investor in structured entities, we make significant judgment on whether we control and should consolidate these structured entities. When performing this assessment, we assess our contractual rights and obligations in light of the transaction structures, and evaluates our power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. We also assess whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, our exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

SELECTED FINANCIAL DATA

The following table sets forth our results of operations for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in millions)				
				(unaudited)	
Interest income	2,545.7	3,201.6	3,563.4	1,716.0	1,858.7
Interest expense	(1,163.5)	(1,449.3)	(1,777.8)	(853.3)	(1,030.9)
Net interest income	1,382.2	1,752.3	1,785.6	862.7	827.8
Fee and commission income	53.2	65.8	75.3	31.3	53.7
Fee and commission expense	(20.5)	(26.5)	(31.4)	(15.2)	(16.8)
Net fee and commission income	32.7	39.4	43.9	16.1	36.9
Net gains/(losses) on trading activities	171.2	(35.0)	291.8	183.2	130.0
Net gains on financial investments	11.0	86.5	10.6	0.6	69.8
Other operating income	23.7	23.8	37.9	13.4	13.4
Operating income	1,620.8	1,867.0	2,169.8	1,075.9	1,078.0
Operating expenses	(606.8)	(655.4)	(698.2)	(329.2)	(349.7)
Expected credit losses	(644.7)	(728.3)	(928.6)	(455.5)	(381.3)
Impairment losses	(0.5)	(5.8)	(0.4)	–	–
Profit before income tax	369.0	477.5	542.6	291.2	347.0
Income tax expense	(40.7)	(45.0)	(65.2)	(36.7)	(85.2)
Net profit	328.3	432.5	477.4	254.5	261.8
Net profit attribute to:					
Shareholders of the Bank	352.5	437.7	468.5	240.8	284.2
Non-controlling interests	(24.2)	(5.2)	8.9	13.7	(22.4)
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	0.12	0.11	0.12	0.06	0.07

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in millions)				
				(unaudited)	
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes in fair value of financial assets at fair value through other comprehensive income	(53.5)	(171.5)	141.4	109.3	157.5
Credit impairment losses for financial assets at fair value through other comprehensive income	(12.2)	238.7	58.7	50.0	35.8
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income	16.4	(16.8)	(50.0)	(39.8)	(48.3)
Items that will not be reclassified to profit or loss:					
Changes in remeasurement of defined benefit plans	(1.6)	–	(0.5)	(0.5)	(1.5)
Impact on income tax on changes in remeasurement of defined benefit plans	0.4	–	0.1	0.1	0.4
Other comprehensive income for the year, net of tax	(50.4)	50.4	149.7	119.2	143.9
Total comprehensive income	277.9	483.0	627.1	373.7	405.7
Total comprehensive income attributable to:					
Shareholders of the Bank	302.1	488.1	618.1	359.9	428.1
Non-controlling interests	(24.2)	(5.2)	8.9	13.7	(22.4)

The following table sets forth our assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in millions)			
Total assets	68,490.4	80,413.3	93,444.0	100,192.8
Loans and advances to customers	33,965.8	42,310.9	49,374.9	52,725.7
Total liabilities	60,306.6	71,745.3	84,157.5	90,578.5
Customer deposits	48,342.7	59,393.8	71,439.1	80,463.2
Total equity attributable to shareholders of the Bank	7,877.2	8,366.6	8,976.2	9,326.3

The following table sets forth our key financial indicators for the periods indicated:

	Years ended December 31,			Six months ended June 30,(6)	
	2021	2022	2023	2023	2024
Return on average assets(1)	0.52%	0.58%	0.55%	0.60%	0.54%
Return on average equity(2)	4.72%	5.13%	5.32%	5.76%	5.54%
Net interest spread(3)	2.46%	2.45%	2.08%	2.17%	1.76%
Net interest margin(4)	2.56%	2.59%	2.18%	2.21%	1.86%
Cost-to-income ratio(5)	36.27%	33.99%	31.17%	29.66%	31.25%

Notes:

(1) Calculated by dividing net profit for the year/period by the average balance of total assets at the beginning and the end of the year/period.

(2) Calculated by dividing net profit for the year/period by the average balance of total equity at the beginning and the end of the year/period.

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

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

(5) Calculated by dividing total operating expenses (excluding taxes and surcharges) by total operating income.

(6) On annualized basis.

During the Track Record Period, our return on average equity continuously increased from 4.72% in 2021 to 5.54% in the six months ended June 30, 2024, although it experienced a slight decline compared to the same period in 2023. This was primarily attributable to the combined effects of the changes in our net profit and total equity. Our net profit continuously increased from 2021 to 2023, while remained relatively stable in the six month ended June 30, 2024 compared to the same period in 2023, which was mainly attributable to the recognition of higher expected credit loss and the narrowing net interest margin affected by monetary policies. See "Industry Overview – National and Regional Economy – Impact of Macroeconomic Environment on PRC Banking Industry – Monetary Policies." In addition, our continuous growth in total equity during the Track Record Period, primary driven by other comprehensive income and capital injection from our shareholders, also exerted downward pressure on our return on average equity due to the larger equity base.

To balance our business growth and risk control, we are required to adopt a steady strategy with gradual capital deployment that integrates both profitability and prudent risk management. We plan to allocate our resources gradually and effectively and optimize our loan portfolio by prioritizing high-yield, low-risk lending opportunities to enhance our potential returns. We also plan to continuously monitor prevailing economic conditions and monetary policy, formulating strategies to enhance profitability despite narrowing net interest margins. In addition, we plan to continue to implement robust credit assessment procedures to ensure loans and advances are granted to creditworthy customers, and leverage technology to improve efficiency and customer service, driving business growth and strengthening our risk management.

The following table sets forth certain regulatory indicators as of the dates indicated, calculated in accordance with requirements on the PRC banking regulatory authorities and applicable accounting standards applicable in each year/period.

	As of December 31,			As of June 30,	Regulatory requirements
	2021	2022	2023	2024	
Capital adequacy indicators[1]					
Core tier-one capital adequacy ratio[2]	15.26%	12.86%	12.22%	13.49%	≥7.5%
Tier-one capital adequacy ratio[3]	15.30%	12.89%	12.26%	13.52%	≥8.5%
Capital adequacy ratio[4]	16.47%	14.08%	13.41%	14.74%	≥10.5%
Asset quality indicators					
NPL ratio[5]	2.27%	1.77%	1.76%	1.72%	≤5%
Allowance coverage ratio[6]	198.35%	213.40%	262.02%	254.97%	≥150%
Allowance to gross loan ratio[7]	4.50%	3.78%	4.61%	4.39%	≥2.5%
Other indicators					
Loan to deposit ratio[8]	74.71%	75.02%	73.64%	69.83%	N/A

Notes:

(1) The capital adequacy indicators as of June 30, 2024 were calculated in accordance with New Capital Management Regulations, which took effect on January 1, 2024. It classifies commercial banks into three tiers based on their adjusted on-balance-sheet and off-balance-sheet assets as well as overseas claims and debt, and imposes specific requirements on each tier in terms of capital adequacy ratios, risk weights, and disclosure standard. See "Regulatory Overview – Supervision Over Capital Adequacy – Latest Supervisory Standards Over Capital Adequacy."

(2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(3) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(4) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(5) Calculated by dividing total NPLs by gross loans and advances to customers.

(6) Calculated by dividing total ECL allowance of loans and advances to customers by total NPLs.

(7) Calculated by dividing total ECL allowance of loans and advances to customers by gross loans and advances to customers.

(8) Calculated by dividing gross loans and advances to customers by total customer deposits (excluding accrued interest).

The capital adequacy ratio decreased from 16.47% as of December 31, 2021 to 14.08% as of December 31, 2022 and further decreased to 13.41% as of December 31, 2023, primarily due to our continuously increased risk-weighted assets in line with the increase in loans and advances to customers during the Track Record Period, which outpaced the growth of our capital as we primarily relied on internal resources such as retained earnings and net profit to enhance our capital levels. Our capital adequacy ratio then increased to 14.74% as of June 30, 2024, primarily attributable to the new calculation requirements mentioned above effective on January 1, 2024.

RESULTS OF OPERATION FOR SIX MONTHS ENDED JUNE 30, 2023 AND 2024

Net Interest Income

We generated a majority of our operating income from net interest income in the six months ended June 30, 2023 and 2024, which represented 80.2% and 76.8% of our operating income for the same periods, respectively.

The following table sets forth our interest income, interest expense and net interest income for the periods indicated:

	Six months ended June 30,	
	2023	**2024**
	(RMB in millions)	
	(unaudited)	
Interest income	1,716.0	1,858.7
Interest expense	(853.3)	(1,030.9)
Net interest income	**862.7**	**827.8**

Our net interest income decreased by 4.0% from RMB862.7 million in the six months ended June 30, 2023 to RMB827.8 million in the six months ended June 30, 2024, primarily due to a 20.8% increase in interest expense, partially offset by a 8.3% increase in interest income.

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

	Six months ended June 30,					
	2023			**2024**		
	Average balance	**Interest income/ expense**	**Average yield/ cost(1)**	**Average balance**	**Interest income/ expense**	**Average yield/ cost(1)**
	(RMB in millions, except for percentages)					
	(unaudited)					
Interest-earning assets						
Deposits with central bank	4,622.3	27.9	1.21	5,185.1	32.8	1.27
Financial assets held under resale agreements, due from other banks and other financial institutions	7,906.9	62.7	1.59	5,533.3	45.8	1.65
Loans and advances to customers	44,720.9	1,316.6	5.89	52,075.1	1,410.8	5.42
Financial investments	20,719.7	308.8	2.98	26,230.8	369.3	2.82
Total interest-earning assets	77,969.8	1,716.0	4.40	89,024.3	1,858.7	4.18

	Six months ended June 30,					
	2023			2024		
	Average balance	Interest income/ expense	Average yield/ cost(1)	Average balance	Interest income/ expense	Average yield/ cost(1)
	(RMB in millions, except for percentages)					
	(unaudited)					
Interest-bearing liabilities						
Borrowings from central bank	1,955.5	(19.7)	2.01	2,021.3	(19.8)	1.96
Financial assets sold under repurchase agreement, due to other banks and other financial institutions	9,281.4	(75.6)	1.63	7,084.2	(72.5)	2.05
Customer deposits	60,795.4	(695.0)	2.29	74,157.8	(909.8)	2.45
Debt securities issued	4,293.9	(62.6)	2.92	1,966.7	(28.5)	2.90
Lease liabilities	29.1	(0.4)	2.75	25.3	(0.3)	2.37
Total interest-bearing liabilities	76,355.3	(853.3)	2.23	85,255.4	(1.030.9)	2.42
Net interest income		862.7			827.8	
Net interest spread(2)			2.17			1.76
Net interest margin(3)			2.21			1.86

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Calculated as the difference between the daily average yield on total interest-earning assets and the daily average cost of total interest-bearing liabilities.

(3) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

The following table sets forth the allocation of changes in our interest income and interest expense due to changes in volume and changes in rate for the periods indicated. Changes in volume are measured by changes in the average balances and changes in rate are measured by changes in the average rates. Changes caused by both volume and rate have been allocated to change in volume:

	Six months ended June 30,		
	2024 vs. 2023		
	Increase/(decrease) due to		
	Volume[(1)]	Rate[(2)]	Net increase/ (decrease)[(3)]
	(RMB in millions)		
Interest-earning assets			
Deposits with central bank	7.1	2.7	4.9
Financial assets held under resale agreements, due from other banks and other financial institutions	(39.3)	5.4	(17.0)
Loans and advances to customers	398.5	(209.9)	94.3
Financial investments	155.2	(34.2)	60.5
Changes in interest income	521.5	(236.0)	142.8
Interest-bearing liabilities			
Borrowings from central bank	1.3	(1.1)	0.1
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	(45.0)	38.8	(3.1)
Customer deposits	327.9	101.9	214.9
Debt securities issued	(67.4)	(0.9)	(34.2)
Lease liabilities	(0.1)	(0.2)	(0.1)
Changes in interest expense	216.7	138.6	177.6
Changes in net interest income	304.8	(374.5)	(34.9)

Notes:

(1) Represents the daily average balance for the period minus the daily average balance for the previous period, multiplied by the average yield/cost for the period.

(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the daily average balance for the previous period.

(3) Represents interest income/expense for the period minus interest income/expense for the previous period.

Interest Income

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

	Six months ended June 30,			
	2023		2024	
	Amount	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)			
	(unaudited)			
Interest income on:				
Loans and advances to customers	1,316.6	76.7	1,410.8	75.9
Financial investments	308.8	18.0	369.3	19.9
Financial assets held under resale agreements, due from other banks and other financial institutions	62.7	3.7	45.8	2.5
Deposits with central bank	27.9	1.6	32.8	1.8
Total	1,716.0	100.0	1,858.7	100.0

Our interest income increased by 8.3% from RMB1,716.0 million in the six months ended June 30, 2023 to RMB1,858.7 million in the six months ended June 30, 2024, primarily attributable to (i) the increase in loans and advances to customers as a result of an increase in the average balance as a result of our strengthened efforts to broaden our customer base and expand lending activities that resulted in an increase in our interest income; and (ii) the increase in interest income from financial investments as a result of the expansion of the scale of financial investment as a result of the growth in customer deposits in the six months ended June 30, 2024, as partially offset by a decrease in average yield mainly attributable to the decline in market interest rates. Our average yield decreased from 4.40% in the six months ended June 30, 2023 to 4.18% in the six months ended June 30, 2024, primarily attributable to the decline in the market interest rate. The PBoC's monetary policy adjustments in 2024, including reductions in the LPR, have affected the interest rates of our loans to a certain extent, thereby influencing our interest margins and profitability. For details of recent monetary policies, see "Industry Overview – National and Regional Economy – Impact of Macroeconomic Environment on PRC Banking Industry – Monetary Policies."

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers accounted for 76.7% and 75.9% of our total interest income in the six months ended June 30, 2023 and 2024, respectively. Our loans and advances to customers primarily consisted of corporate loans, personal loans and discounted bills and rediscounted bills. The following table sets forth the daily average balance, interest income and average yield for each component of our loans and advances to customers for the periods indicated:

	Six months ended June 30,					
	2023			2024		
	Average balance	Interest income	Average yield (%)(1)	Average balance	Interest income	Average yield (%)(1)
	(RMB in millions, except for percentages)					
	(unaudited)					
Corporate loans	35,258.9	1,148.8	6.52	40,133.4	1,252.8	6.24
Personal loans	4,802.5	127.9	5.33	4,789.9	112.5	4.70
Discounted bills and rediscounted bills	4,659.5	39.8	1.71	7,151.8	45.5	1.27
Total	44,720.9	1,316.6	5.89	52,075.1	1,410.8	5.42

Note:

(1) Calculated by dividing annualized interest income by average balance.

Our interest income from loans and advances to customers increased by 7.2% from RMB1,316.6 million in the six months ended June 30, 2023 to RMB1,410.8 million in the six months ended June 30, 2024, mainly attributable to an increase in the average balance as a result of our strengthened efforts to broaden our customer base and expand lending activities.

Corporate Loans

Interest income from corporate loans represented the largest component of our interest income from loans and advances to customers, representing 87.3% and 88.8% of our total interest income from loans and advances to customers in the six months ended June 30, 2023 and 2024, respectively.

Our interest income from corporate loans increased by 9.1% from RMB1,148.8 million in the six months ended June 30, 2023 to RMB1,252.8 million in the six months ended June 30, 2024, primarily due to the increase in the average balance in line with our strengthened efforts to scale up corporate business. The average yield of corporate loans decreased from 6.52% in the six months ended June 30, 2023 to 6.24% in the six months ended June 30, 2024, primarily due to the decline in the market interest rate partially affected by the LPR.

Personal Loans

Interest income from personal loans accounted for 9.7% and 8.0% of our total interest income from loans and advances to customers in the six months ended June 30, 2023 and 2024, respectively.

Our interest income from personal loans decreased by 12.0% from RMB127.9 million in the six months ended June 30, 2023 to RMB112.5 million in the six months ended June 30, 2024, primarily due to the decrease in the average balance of personal loans, primarily affected by the offsite internet lending policy and the market conditions of the real estate sector. See "Regulatory Overview – Regulation on Principal Commercial banking Activities – Internet Finance." The average yield of personal loans decreased from 5.33% in the six months ended June 30, 2023 to 4.70% in the six months ended June 30, 2024, primarily due to the decline in the market interest rate partially affected by the LPR.

Discounted Bills and rediscounted bills

Interest income from discounted bills and rediscounted bills accounted for 3.0% and 3.2% of our total interest income from loans and advances to customers in the six months ended June 30, 2023 and 2024, respectively.

Our interest income from discounted bills and rediscounted bills increased by 14.3% from RMB39.8 million in the six months ended June 30, 2023 to RMB45.5 million in the six months ended June 30, 2024, primarily due to an increase in the average balance of discounted bills and rediscounted bills, mainly attributable to the increase in the number of customers who require cash. The decrease in the average yield on our discounted bills and rediscounted bills from 1.71% in the six months ended June 30, 2023 to 1.27% in the six months ended June 30, 2024, was mainly attributable to the decline in the market interest rate.

Interest Income from Financial Investments

Interest income from financial investments, which represented our investment in debt instruments that primarily included debt securities, accounted for 18.0% and 19.9% of our total interest income in the six months ended June 30, 2023 and 2024, respectively. The following table sets forth a breakdown of our interest income as well as their average yields for the periods indicated:

	Six months ended June 30,			
	2023		**2024**	
	Amount	*Average yield (%)*	*Amount*	*Average yield (%)*
	(RMB in millions, except for percentages)			
	(unaudited)			
Debt instruments	308.8	2.98	369.3	2.82
Total	308.8	2.98	369.3	2.82

Our interest income from financial investments increased by 19.6% from RMB308.8 million in the six months ended June 30, 2023 to RMB369.3 million in the six months ended June 30, 2024, primarily due to the expansion of the scale of financial investment as a result of the growth in customer deposits in the six months ended June 30, 2024, as partially offset by a decrease in average yield from 2.98% to 2.82%, mainly attributable to the decline in market interest rates.

Interest Income from Financial Assets Held Under Resale Agreements, Due from Other Banks and Other Financial Institutions

Our interest income from our financial assets held under resale agreements, due from other banks and other financial institutions represented 3.7% and 2.5% of our total interest income in the six months ended June 30, 2023 and 2024, respectively. Our interest income from financial assets held under resale agreements, due from other banks and other financial institutions decreased by 27.0% from RMB62.7 million in the six months ended June 30, 2023 to RMB45.8 million in the six months ended June 30, 2024, primarily due to a decrease in the average balance as we decreased the investment scale of financial assets in the six months ended June 30, 2024.

Such a decrease was partially offset by an increase in the average yield from 1.59% in the six months ended June 30, 2023 to 1.65% in the six months ended June 30, 2024, primarily due to our adjustment in asset structure to increase investment in financial assets held under resale agreements, due from other banks with relatively high yields.

Interest Income from Deposits with Central Bank

Our interest-earning assets balances of our deposits with central bank consist primarily of statutory deposit reserves and surplus deposit reserves with PBoC. Statutory deposit reserves represent the minimum level of cash deposits that we are required to maintain at PBoC, calculated as a percentage of the balance of our general deposits from customers. Surplus deposit reserves are deposits with PBoC in excess of statutory deposit reserves, which we maintain with PBoC for liquidity purposes. Our interest income with central bank represented 1.6% and 1.8% of our total interest income in the six months ended June 30, 2023 and 2024, respectively. Our interest income from deposits with central bank increased from RMB27.9 million in the six months ended June 30, 2023 to RMB32.8 million in the six months ended June 30, 2024, primarily attributable to our increased deposits with central bank, corresponding with our increased customer deposits in the six months ended June 30, 2024.

Interest Expense

The following table sets forth a breakdown of our interest expense for the periods indicated:

	Six months ended June 30,			
	2023		2024	
	Amount	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)			
	(unaudited)			
Interest expense on:				
Customer deposits	695.0	81.4	909.8	88.3
Debt securities issued	62.6	7.3	28.5	2.8
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	75.6	8.9	72.5	7.0
Borrowings from central bank	19.7	2.3	19.8	1.9
Lease liabilities	0.4	0.1	0.3	0.1
Total	853.3	100.0	1,030.9	100.0

Our interest expense increased by 20.8% from RMB853.3 million in the six months ended June 30, 2023 to RMB1,030.9 million in the six months ended June 30, 2024, primarily attributable to the increase in customer deposits.

Interest Expense on Customer Deposits

Customer deposits are our primary source of funding. Interest expense on customer deposits represented 81.4% and 88.3% of our total interest expense in the six months ended June 30, 2023 and 2024, respectively.

The following table sets for the daily average balance, interest expense and average cost of our customer deposits by product type:

	Six months ended June 30,					
	2023			2024		
	Average balance	Interest expense	Average cost (%)(1)	Average balance	Interest expense	Average cost (%)(1)
	(RMB in millions, except for percentages)					
	(unaudited)					
Corporate deposits						
Demand	19,647.1	113.1	1.15	16,249.0	90.5	1.11
Time	13,640.7	171.3	2.51	21,644.6	283.7	2.62
Subtotal	33,287.8	284.4	1.71	37,893.6	374.2	1.97
Personal deposits						
Demand	5,031.9	15.4	0.61	4,944.9	12.3	0.50
Time	22,475.8	395.2	3.52	31,319.5	523.4	3.34
Subtotal	27,507.7	410.6	2.99	36,264.4	535.7	2.95
Total	60,795.4	695.0	2.29	74,157.8	909.8	2.45

(1) On annualized basis.

Our interest expense on customer deposits increased by 30.9% from RMB695.0 million in the six months ended June 30, 2023 to RMB909.8 million in the six months ended June 30, 2024, primarily attributable to the increase in the average balance of customer deposits, especially the time deposit with higher interest rates.

Interest expense on corporate deposits represented 69.3% and 69.9% of our total interest expenses on customer deposits in the six months ended June 30, 2023 and 2024, respectively. Our interest expense on corporate deposits increased by 31.6% from RMB284.4 million in the six months ended June 30, 2023 to RMB374.2 million in the six months ended June 30, 2024, primarily attributable to (i) the increase in the average balance and (ii) the increase in average cost, mainly due to the increased proportion of time deposits with relatively high cost.

Interest expense on personal deposits represented for 59.1% and 58.9% of our total interest expenses on customer deposits in the six months ended June 30, 2023 and 2024, respectively. Our interest expense on personal deposits increased by 30.5% from RMB410.6 million in the six months ended June 30, 2023 to RMB535.7 million in the six months ended June 30, 2024, primarily due to the increase in the average balance.

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued represented 7.3% and 2.8% of our total interest expenses in the six months ended June 30, 2023 and 2024, respectively. Our interest expense on debt securities issued decreased by 54.5% from RMB62.6 million in the six months ended June 30, 2023 to RMB28.5 million in the six months ended June 30, 2024, primarily due to the decrease in the average balance as our financing needs declined with an increase in customer deposits.

Interest Expense on Financial Assets Sold Under Repurchase Agreements, Due to Other Banks and Other Financial Institutions

Interest expense on financial assets sold under repurchase agreements, due to other banks and other financial institutions accounted for 8.9% and 7.0% of our total interest expenses in the six months ended June 30, 2023 and 2024, respectively. Our interest expense on financial assets sold under repurchase agreements, due to other banks and other financial institutions remained relatively stable at RMB75.6 million and RMB72.5 million in the six months ended June 30, 2023 and 2024, respectively.

Interest Expense on Borrowings from Central Bank

Interest expense on borrowings from central bank represented 2.3% and 1.9% of our total interest expenses in the six months ended June 30, 2023 and 2024, respectively.

Our interest expense on borrowings from central bank remained stable at RMB19.7 million and RMB19.8 million in the six months ended June 30, 2023 and 2024, respectively. See "Business – Our Principal Business Lines – Corporate Banking – Corporate Loans – Distribution of Corporate Loans by Size of Customers – Loans to Small and Micro Enterprises."

Net Interest Spread and Net Interest Margin

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

Our net interest spread decreased from 2.17% in the six months ended June 30, 2023 to 1.76% in the six months ended June 30, 2024, primarily due to a decrease in the average yield of loans and advances to customers and financial investment primarily affected by the decline in the market interest rate, which resulted in a decrease in the average yield of our interest-earning assets.

Our net interest margin decreased from 2.21% in the six months ended June 30, 2023 to 1.86% in the six months ended June 30, 2024, primarily due to (i) the decrease in the yield on interest-bearing assets as a result of the adjustment of bank asset allocation, and (ii) the increase in the average balance of time deposit with higher interest rates.

Net Fee and Commission Income

Net fee and commission income represented 1.5% and 3.4% of our total operating income in the six months ended June 30, 2023 and 2024, respectively.

The following table sets forth our fee and commission income, fee and commission expense and net fee and commission income for the periods indicated:

	Six months ended June 30,			
	2023		2024	
	Amount	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)			
	(unaudited)			
Fee and commission income				
Commission income from settlement and agency services	7.5	24.0	7.7	14.3
Commission income from wealth management agency service	9.9	31.6	28.4	52.9
Commission income from bank card services	0.7	2.2	0.7	1.3
Other commission income[1]	13.2	42.2	16.9	31.5
Total fee and commission income	**31.3**	**100.0**	**53.7**	**100.0**
Fee and commission expense				
Commission expense from settlement and agency services	(13.9)	91.4	(15.4)	91.7
Other commission expense[2]	(1.3)	8.6	(1.4)	8.3
Total fee and commission expense	(15.2)	100.0	(16.8)	100.0
Net fee and commission income	16.1		36.9	

Notes:

(1) Primarily represented commission income from guarantees and commitments business.

(2) Primarily represented bank card commission expenses.

Our net fee and commission income increased significantly from RMB16.1 million in the six months ended June 30, 2023 to RMB36.9 million in the six months ended June 30, 2024, primarily because our fee and commission income increased by 71.6% from RMB31.3 million in the six months ended June 30, 2023 to RMB53.7 million in the six months ended June 30, 2024 attributable to the increase in commission income from wealth management agency service as a result of the increased return on wealth management assets affected by the market conditions.

Other Components of Our Operating Income

Our other components of operating income accounted for 18.3% and 19.8% of our total operating income in the six months ended June 30, 2023 and 2024, respectively. The following table sets forth other components of our operating income for the periods indicated:

	Six months ended June 30,			
	2023		2024	
	Amount	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)			
	(unaudited)			
Net gains on trading activities	183.2	93.0	130.0	61.0
Net gains on financial investment	0.6	0.3	69.8	32.7
Other operating income[(1)]	13.4	6.6	13.4	6.3
Total	**197.1**	**100.0**	**213.3**	**100.0**

Note:

(1) Primarily consists of government grants and rental income.

Net Gains on Trading Activities

Net gains on trading activities represented 93.0% and 61.0% of other components of our operating income in the six months ended June 30, 2023 and 2024, respectively. The following table sets forth a breakdown of our net gains on trading activities for the periods indicated:

	Six months ended June 30,	
	2023	2024
	Amount	*Amount*
	(RMB in millions, except for percentages)	
	(unaudited)	
Debt securities	166.1	141.8
Funds	13.7	14.4
Asset management plans	5.8	(27.2)
Unlisted Stocks	(2.5)	(1.6)
Wealth management products	–	2.5
Total	**183.2**	**130.0**

We recorded net gains on trading activities of RMB130.0 million in the six months ended June 30, 2024 as compared to net gains of RMB183.2 million in the six months ended June 30, 2023, primarily due to (i) a 14.6% decrease in gains from debt securities, mainly resulting from a decrease in the fair value of debt securities held by us; and (ii) the recognition of loss from asset management plans of RMB27.2 million in the six months ended June 30, 2024 as compared to gains of RMB5.8 million in the six months ended June 30, 2023, mainly resulting from a decrease in valuation of the underlying assets of our asset management plans mainly affected by market fluctuations.

Net Gains on Financial Investments

Our net gains on financial investments represented net gains arising from financial assets at fair value through other comprehensive income. Our net gains on financial investments increased significantly from RMB0.6 million in the six months ended June 30, 2023 to RMB69.8 million in the six months ended June 30, 2024, primarily due to an increase in net gains arising from financial assets at fair value through other comprehensive income, as we sold the bonds we held and recognized gains therefrom in response to the decline in bond market interest rates.

Other Operating Income

Our other operating income primarily consisted of government grants and rental income. Our other operating income remained stable at RMB13.4 million in the six months ended June 30, 2023 and 2024, respectively, representing 1.2% and 1.2% of our operating income, respectively. The following table sets forth a breakdown of our other operating income for the periods indicated:

	Six months ended June 30,			
	2023		**2024**	
	Amount	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)			
	(unaudited)			
Government grants	2.5	18.8	6.6	49.3
Rental income	4.3	32.2	4.6	34.3
Other miscellaneous income	1.1	8.3	1.3	9.7
Net gains on disposal of property, plant and equipment	5.4	40.3	0.9	6.7
Total	**13.4**	**100.0**	**13.4**	**100.0**

Operating Expenses

The following table sets forth a breakdown of our operating expenses for the periods indicated:

	Six months ended June 30,			
	2023		**2024**	
	Amount	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)			
	(unaudited)			
Staff costs	185.2	56.3	190.7	54.5
General and administrative expenses	82.1	24.9	101.0	28.9
Depreciation and expenses	36.3	11.0	31.8	9.1
Professional fees[(1)]	2.6	0.8	2.6	0.7
Listing expenses	0.7	0.2	0.5	0.1
Tax and surcharges	10.0	3.0	12.9	3.7
Auditors' remuneration				
– Audit service	0.3	0.1	0.2	0.1
– Non-audit service	0.0	0.0	0.1	0.0
Technical service fees	12.0	3.7	9.9	2.8
Total operating expenses	329.2	100.0	349.7	100.0
Cost-to-income ratio[(2)]		29.66%		31.25%

Notes:

(1) Primarily represented legal fees.

(2) Calculated by dividing total operating expenses, excluding tax and surcharges, by total operating income.

Our operating expenses increased by 6.2% from RMB329.2 million in the six months ended June 30, 2023 to RMB349.7 million in the six months ended June 30, 2024, primarily due to the increase in general and administrative expenses.

Our cost-to-income ratio (excluding tax and surcharges) was 29.66% and 31.25% in the six months ended June 30, 2023 and 2024, respectively, primarily reflecting the decreased growth rate of operating income due to the decreased net interest spread.

Staff Cost

The following table sets forth a breakdown of our staff costs for the periods indicated:

	Six months ended June 30,	
	2023	**2024**
	(RMB in millions)	
	(unaudited)	
Wages and salaries, bonus, allowance and subsidies	129.2	131.1
Social security contributions	24.1	25.1
Defined contribution benefits	21.7	22.7
Staff welfare	6.1	7.0
Labour union funds and employee education funds	3.2	3.2
Supplementary retirement benefits	0.9	1.6
Total	185.2	190.7

Our staff cost remained relatively stable at RMB185.2 million and RMB190.7 million in the six months ended June 30, 2023 and 2024, respectively.

General and Administration Expenses

Our general and administration expenses primarily consisted of business and publicity expenses, security and defense expenses and other business and management expenses. Our general and administrative expenses increased by 23.0% from RMB82.1 million in the six months ended June 30, 2023 to RMB101.0 million in the six months ended June 30, 2024, primarily attributable to (i) the increase in general expenses in line with our business growth; and (ii) the increase in business promotion fees and advertising fees to attract customers and promote our loan and deposit businesses.

Depreciation and Expenses

Our depreciation and expenses primarily consisted of depreciation of property, plant and equipment, amortization of intangible assets and depreciation of right of use. Our depreciation and expenses decreased by 12.4% from RMB36.3 million in the six months ended June 30, 2023 to RMB31.8 million in the six months ended June 30, 2024, primarily due to the disposal or full depreciation of certain self-used properties and projects.

Expected Credit Losses

The following table sets forth a breakdown of our expected credit losses for the periods indicated:

	Six months ended June 30,	
	2023	2024
	(RMB in millions)	
	(unaudited)	
Loans and advances to customers at amortized cost	405.1	285.1
Financial investments – FVOCI	48.1	33.0
Off-balance-sheet items	(13.9)	9.4
Financial investments – amortized cost	–	0.0
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	(0.3)	22.9
Loans and advances to customers – fair value through other comprehensive income	1.9	2.8
Other financial assets	14.7	28.1
Total	455.6	381.3

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default, primarily including expected credit loss in our loans and advances to customers, financial investments, bank acceptance, letter of guarantee, financial assets held under resale agreements and interbank deposits and interbank placements.

Our expected credit losses decreased by 16.3% from RMB455.6 million in the six months ended June 30, 2023 to RMB381.3 million in the six months ended June 30, 2024, primarily in line with the slowdown in the growth of our loans and advances to customers in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

Impairment Losses

We did not record impairment losses in the six months ended June 30, 2023 and 2024.

Income Tax Expense

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax for the periods indicated:

	Six months ended June 30,	
	2023	2024
	(RMB in millions)	
	(unaudited)	
Profit before income tax	291.2	347.0
Tax calculated at a tax rate of 25%	72.8	86.7
Tax effect arising from non-taxable income[(1)]	(42.6)	(44.7)
Tax effect of expenses that are not deductible for tax purposes[(2)]	2.9	1.7
Tax effect of recovery of loans that were deducted in previous years	3.6	5.7
Current-year losses for which no deferred tax asset is recognized	–	20.0
Adjustments for current tax of prior periods	–	15.7
Total	36.7	85.1

Notes:

(1) Our non-taxable income mainly represents interest income arising from government bonds and monetary fund which is non-taxable in accordance with the PRC tax laws.

(2) Our expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as insurance fees for customer deposits, non-public welfare donation expenses, staff cost and entertainment expenses, which exceed the tax deduction limits pursuant to the PRC Laws.

Our income tax expense increased significantly from RMB36.7 million in the six months ended June 30, 2023 to RMB85.1 million in the six months ended June 30, 2024, primarily due to an increase in our taxable operating income in line with our business growth. Our effective income tax rate was 12.6% and 24.5% in the six months ended June 30, 2023 and 2024, respectively. The increase was primarily due to the decrease in tax deduction amount from NPL write-offs. As of the Latest Practicable Date, we did not have any dispute with any tax authority.

Net Profit

Our net profit increased by 2.9% from RMB254.5 million in the six months ended June 30, 2023 to RMB261.8 million in the six months ended June 30, 2024, primarily attributable to (i) an increase in net fee and commission income driven by the increase in commission income from wealth management agency service as a result of the increased return on wealth management assets affected by the market conditions; (ii) an increase in net gains on financial investment primarily due to an increase in net gains arising from financial assets at fair value through other comprehensive income as we sold the bonds we held and recognized gains therefrom in response to the decline in bond market interest rates; and (iii) a decrease in expected credit losses primarily in line with the slowdown in the growth of our loans and advances to customers. Such an increase was partially offset by a decrease in our net interest income primarily attributable to the increase in customer deposits.

Other Comprehensive Income/(Losses)

	Six months ended June 30,	
	2023	**2024**
	(RMB in millions)	
	(unaudited)	
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income	109.3	157.5
Credit impairment gains for financial assets at fair value through other comprehensive income	50.0	35.8
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income	(39.8)	(48.3)
Items that will not be reclassified to profit or loss:		
Changes in remeasurement of defined benefit plans	(0.5)	(1.5)
Impact on income tax on changes in remeasurement of defined benefit plans	0.1	0.4
Other comprehensive income for the year, net of tax	119.2	143.9
Total comprehensive income	373.7	405.7
Total comprehensive income attributable to:		
Shareholders of the Bank	359.9	428.1
Non-controlling interests	13.7	(22.4)

Our financial assets at fair value through other comprehensive income primarily consisted of debt securities. Our gains from changes in fair value of financial assets at fair value through other comprehensive income increased from RMB109.3 million in the six months ended June 30, 2023 to RMB157.5 million in the six months ended June 30, 2024, primarily due to an increase in the fair value of our debt securities recognized at fair value through other comprehensive income, as influenced by a decrease in the market interest rate in the six months ended June 30, 2024. We recognized credit impairment gains of RMB50.0 million and RMB35.8 million in the six months ended June 30, 2023 and 2024, respectively, in accordance with the expected credit loss model under IFRS 9.

RESULTS OF OPERATION FOR YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023

Net Interest Income

We generated a majority of our operating income from net interest income in 2021, 2022 and 2023, which represented 85.3%, 93.9% and 82.3% of our operating income for the same years, respectively.

The following table sets forth our interest income, interest expense and net interest income for the periods indicated:

	Years ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)		
Interest income	2,545.7	3,201.6	3,563.4
Interest expense	(1,163.5)	(1,449.3)	(1,777.8)
Net interest income	1,382.2	1,752.3	1,785.6

Our net interest income increased by 26.8% from RMB1,382.2 million in 2021 to RMB1,752.3 million in 2022, primarily due to a 25.8% increase in interest income, partially offset by a 24.6% increase in interest expense. Our net interest income remained relatively stable at RMB1,752.3 million in 2022 and RMB1,785.6 million in 2023, primarily due to a 11.3% increase in our interest income, partially offset by a 22.7% increase in our interest expenses.

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

	Years ended December 31,								
	2021			**2022**			**2023**		
	Average balance	**Interest income/ expense**	**Average yield/ cost(1)**	**Average balance**	**Interest income/ expense**	**Average yield/ cost(1)**	**Average balance**	**Interest income/ expense**	**Average yield/ cost(1)**
	(RMB in millions, except for percentages)								
Interest-earning assets									
Deposits with central bank	4,085.1	51.4	1.26	4,275.2	51.4	1.20	4,758.3	58.2	1.22
Financial assets held under resale agreements, due from other banks and other financial institutions	3,967.7	69.8	1.76	7,032.3	114.5	1.63	7,864.6	123.9	1.58

	Years ended December 31,								
	2021			2022			2023		
	Average balance	Interest income/ expense	Average yield/ cost(1)	Average balance	Interest income/ expense	Average yield/ cost(1)	Average balance	Interest income/ expense	Average yield/ cost(1)
	(RMB in millions, except for percentages)								
Loans and advances to customers	31,779.2	1,964.0	6.18	39,906.8	2,491.7	6.24	46,593.9	2,701.4	5.80
Financial investments	14,088.4	460.5	3.27	16,512.6	543.9	3.29	22,867.7	679.9	2.97
Total interest-earning assets	53,920.3	2,545.7	4.72	67,726.9	3,201.6	4.73	82,084.5	3,563.4	4.34
Interest-bearing liabilities									
Borrowings from central bank	771.8	(17.7)	2.29	1,571.5	(35.2)	2.24	1,981.3	(40.1)	2.03
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	4,165.4	(99.8)	2.39	6,905.2	(133.7)	1.94	9,136.1	(152.5)	1.67
Customer deposits	43,386.7	(928.2)	2.14	50,751.4	(1,135.5)	2.24	63,652.5	(1,471.2)	2.31
Debt securities issued	3,081.7	(116.9)	3.79	4,512.7	(143.9)	3.19	3,838.7	(112.7)	2.94
Lease liabilities	26.3	(1.0)	3.80	19.0	(0.9)	4.74	28.2	(1.3)	4.61
Total interest-bearing liabilities	51,431.8	(1,163.5)	2.26	63,759.8	(1,449.3)	2.27	78,636.8	(1,777.8)	2.26
Net interest income		1,382.2			1,752.3			1,785.6	
Net interest spread(2)			2.46			2.45			2.08
Net interest margin(3)			2.56			2.59			2.18

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Calculated as the difference between the daily average yield on total interest-earning assets and the daily average cost of total interest-bearing liabilities.

(3) Calculated by dividing net interest income by the daily average balance of total interest-earning assets.

The following table sets forth the allocation of changes in our interest income and interest expense due to changes in volume and changes in rate for the periods indicated. Changes in volume are measured by changes in the average balances and changes in rate are measured by changes in the average rates. Changes caused by both volume and rate have been allocated to change in volume:

	Years ended December 31,					
	2022 vs. 2021			2023 vs. 2022		
	Increase/(decrease) due to			Increase/(decrease) due to		
	Volume(1)	Rate(2)	Net increase/ (decrease)(3)	Volume(1)	Rate(2)	Net increase/ (decrease)(3)
	(RMB in millions)					
Interest-earning assets						
Deposits with central bank	2.3	(2.3)	(0.0)	5.9	0.8	6.7
Financial assets held under resale agreements, due from other banks and other financial institutions	49.9	(5.2)	44.7	13.1	(3.7)	9.4
Loans and advances to customers	507.5	20.2	527.7	387.7	(178.1)	209.6
Financial investments	79.9	3.6	83.4	189.0	(52.9)	136.0
Changes in interest income	639.5	16.3	655.8	595.7	(233.9)	361.8
Interest-bearing liabilities						
Borrowings from central bank	17.9	(0.4)	17.6	8.3	(3.4)	4.9
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	53.1	(19.1)	34.0	37.2	(18.5)	18.8
Customer deposits	164.8	42.5	207.2	298.2	37.6	335.7
Debt securities issued	45.6	(18.6)	27.0	(19.8)	(11.4)	(31.2)
Lease liabilities	(0.4)	0.3	(0.0)	0.4	(0.1)	0.3
Changes in interest expense	281.0	4.7	285.8	324.4	4.2	328.6
Changes in net interest income	358.5	11.6	370.1	271.3	(238.1)	33.2

Notes:

(1) Represents the daily average balance for the year minus the daily 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 daily average balance for the previous year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

Interest Income

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

	Years ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)					
Interest income on:						
Loans and advances to customers	1,964.0	77.2	2,491.7	77.8	2,701.4	75.8
Financial investments	460.5	18.1	543.9	17.0	679.9	19.1
Financial assets held under resale agreements, due from other banks and other financial institutions	69.8	2.7	114.5	3.6	123.9	3.5
Deposits with central bank	51.4	2.0	51.4	1.6	58.2	1.6
Total	2,545.7	100.0	3,201.6	100.0	3,563.4	100.0

Our interest income increased by 25.8% from RMB2,545.7 million in 2021 to RMB3,201.6 million in 2022, which then increased by 11.3% to RMB3,563.4 million in 2023, primarily attributable to the increase in loans and advances to customers as a result of our strengthened efforts to broaden our customer base and expand lending activities. Our average yield remained relatively stable at 4.72% in 2021 and 4.73% in 2022. Our average yield decreased from 4.73% in 2022 to 4.34% in 2023, primarily attributable to a decrease in the average yield of loans and advances to customers and financial investment.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers accounted for 77.2%, 77.8% and 75.8% of our total interest income in 2021, 2022 and 2023, respectively. Our loans and advances to customers primarily consisted of corporate loans, personal loans and discounted bills. The following table sets forth the daily average balance, interest income and average yield for each component of our loans and advances to customers for the periods indicated:

	Years ended December 31,								
	2021			2022			2023		
	Average balance	Interest income	Average yield (%)(1)	Average balance	Interest income	Average yield (%)(1)	Average balance	Interest income	Average yield (%)(1)
	(RMB in millions, except for percentages)								
Corporate loans	24,550.8	1,594.7	6.50	31,287.5	2,128.2	6.80	36,257.5	2,369.3	6.53
Personal loans	5,883.7	330.0	5.61	5,324.8	305.0	5.73	4,809.8	248.8	5.17
Discounted bills and rediscounted bills	1,344.8	39.3	2.92	3,294.6	58.5	1.78	5,526.6	83.3	1.51
Total	31,779.2	1,964.0	6.18	39,906.8	2,491.7	6.24	46,593.9	2,701.4	5.80

Note:

(1) Calculated by dividing annualized interest income by average balance.

Our interest income from loans and advances to customers increased by 26.9% from RMB1,964.0 million in 2021 to RMB2,491.7 million in 2022, mainly attributable to the increase in the average balance as a result of our strengthened efforts to broaden our customer base and expand lending activities, as well as an increase in the average yield on loans and advances to customers from 6.18% in 2021 to 6.24% in 2022, primarily due to the increase in the average balance and average yield of corporate loans. Our interest income from loans and advance to customers increased by 8.4% from RMB2,491.7 million in 2022 to RMB2,701.4 million in 2023, mainly attributable to an increase in the average balance as a result of our strengthened efforts to broaden our customer base and expand lending activities. The average yield on loans and advances to customers decreased from 6.24% in 2022 to 5.80% in 2023, primarily affected by the decline in the market interest rate.

Corporate Loans

Interest income from corporate loans represented the largest component of our interest income from loans and advances to customers, representing 81.2%, 85.4% and 87.7% of our total interest income from loans and advances to customers in 2021, 2022 and 2023, respectively.

Our interest income from corporate loans increased by 33.5% from RMB1,594.7 million in 2021 to RMB2,128.2 million in 2022, primarily due to the increase in the average balance and average yield of corporate loans. Our interest income from corporate loans increased by 11.3% from RMB2,128.2 million in 2022 to RMB2,369.3 million in 2023, primarily due to the increase in the average balance of corporate loans in line with our strengthened efforts to scale up corporate business. The average yield of corporate loans decreased from 6.80% in 2022 to 6.53% in 2023, primarily due to the decline in the market interest rate partially affected by the LPR. For changes in LPR, see "Industry Overview – National and Regional Economy – Impact of Macroeconomic Environment on PRC Banking Industry – Monetary Policies."

Personal Loans

Interest income from personal loans accounted for 16.8%, 12.2% and 9.2% of our total interest income from loans and advances to customers in 2021, 2022 and 2023, respectively.

Our interest income from personal loans decreased by 7.6% from RMB330.0 million in 2021 to RMB305.0 million in 2022, primarily due to the settlement of offsite internet lending in accordance with relevant PRC laws and regulations, leading to a decrease in the average balance of personal loans from 2021 to 2022. See "Regulatory Overview – Regulation on Principal Commercial banking Activities – Internet Finance." Such a decrease was partially offset by an increase in the average yield of personal loans during such period.

Our interest income from personal loans decreased by 18.4% from RMB305.0 million in 2022 to RMB248.8 million in 2023, primarily due to the decrease in the average balance of personal loans, primarily affected by the offsite internet lending policy and the market conditions of the real estate sector. The decrease in the average yield of personal loans was primarily due to the decline in the market interest rate partially affected by the LPR. For changes in LPR, see "Industry Overview – National and Regional Economy – Impact of Macroeconomic Environment on PRC Banking Industry – Monetary Policies."

Discounted Bills and rediscounted bills

Interest income from discounted bills and rediscounted bills accounted for 2.0%, 2.3% and 3.1% of our total interest income from loans and advances to customers in 2021, 2022 and 2023, respectively.

Our interest income from discounted bills and rediscounted bills increased by 48.8% from RMB39.3 million in 2021 to RMB58.5 million in 2022, primarily due to an increase in the average balance of discounted bills and rediscounted bills, mainly because we optimized our asset structure and increased discounted bills transactions. The decrease in the average yield of discounted bills and rediscounted bills from 2.92% in 2021 to 1.78% in 2022 was mainly attributable to the decline in the market interest rate.

Our interest income from discounted bills and rediscounted bills increased by 42.4% from RMB58.5 million in 2022 to RMB83.3 million in 2023, primarily due to the increase in the average balance of discounted bills and rediscounted bills, mainly resulting from our increased discounted bills transactions due to the then-prevailing market conditions. The decrease in the average yield of discounted bills and rediscounted bills from 1.78% in 2022 to 1.51% in 2023 was mainly attributable to the decline in the market interest rate of discounted bills and rediscounted bills.

Interest Income from Financial Investments

Interest income from financial investments, which represented our investment in debt instruments that primarily included debt securities, accounted for 18.1%, 17.0% and 19.1% of our total interest income in 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our interest income as well as their average yields for the periods indicated:

	Years ended December 31,					
	2021		2022		2023	
	Amount	*Average yield (%)*	*Amount*	*Average yield (%)*	*Amount*	*Average yield (%)*
	(RMB in millions, except for percentages)					
Debt instruments	460.5	3.27	543.9	3.29	679.9	2.97
Total	460.5	3.27	543.9	3.29	679.9	2.97

Our interest income from financial investments increased by 18.1% from RMB460.5 million in 2021 to RMB543.9 million in 2022, primarily due to an increase in our allocation to debt securities, as partially offset by a decrease in average yield from 2.42% to 2.35%, mainly attributable to the decline in market interest rates as well as our adjustment in asset structure to increase investment in more tax-free assets such as government bonds. Our interest income from financial investment increased by 25.0% from RMB543.9 million 2022 to RMB679.9 million in 2023, primarily due to an increase in the scale of our financial investments in 2023.

Interest Income from Financial Assets Held Under Resale Agreements, Due from Other Banks and Other Financial Institutions

Interest income from our financial assets held under resale agreements, due from other banks and other financial institutions represented 2.7%, 3.6% and 3.5% of our total interest income in 2021, 2022 and 2023, respectively.

Our interest income from financial assets held under resale agreements, due from other banks and other financial institutions increased by 64.0% from RMB69.8 million in 2021 to RMB114.5 million in 2022, primarily due to an increase in the average balance as we expanded the scale of our interbank deposit business and increased investment in financial assets held under resale agreements, reflecting our asset allocation decision and liquidity needs under the then-market conditions. Such an increase was partially offset by a decrease in the average yield from 1.76% in 2021 to 1.63% in 2022, primarily affected by the decrease in market interest rates. Our interest income from financial assets held under resale agreements, due from other banks and other financial institutions increased by 8.2% from RMB114.5 million in 2022 to RMB123.9 million in 2023, primarily due to an increase in the scale of financial assets held under resale transactions according to our liquidity position. Such an increase was partially offset by a decrease in the average yield, mainly due to the decline in the market interest rate.

Interest Income from Deposits with Central Bank

Our interest-earning assets balances of our deposits with central bank consist primarily of statutory deposit reserves and surplus deposit reserves with PBoC. Statutory deposit reserves represent the minimum level of cash deposits that we are required to maintain at PBoC, calculated as a percentage of the balance of our general deposits from customers. Surplus deposit reserves are deposits with PBoC in excess of statutory deposit reserves, which we maintain with PBoC for liquidity purposes. Our interest income from deposits with central bank remained relatively stable at RMB51.4 million and RMB51.4 million in 2021 and 2022 respectively, representing 2.0% and 1.6% of our total interest income in each respective period. Our interest income from deposits with central bank increased by 13.2% from RMB51.4 million in 2022 to RMB58.2 million in 2023, primarily due to our increased deposits with central bank, corresponding with our increased customer deposits in 2023.

Interest Expense

The following table sets forth a breakdown of our interest expense for the periods indicated:

	Years ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)					
Interest expense on:						
Customer deposits	928.2	79.8	1,135.5	78.3	1,471.2	82.7
Debt securities issued	116.9	10.0	143.9	9.9	112.7	6.3
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	99.8	8.6	133.7	9.2	152.5	8.6
Borrowings from central bank	17.7	1.5	35.2	2.4	40.1	2.3
Lease liabilities	1.0	0.1	0.9	0.1	1.3	0.1
Total	1,163.5	100.0	1,449.3	100.0	1,777.8	100.0

Our interest expense increased by 24.6% from RMB1,163.5 million in 2021 to RMB1,449.3 million in 2022, primarily attributable to the increase in customer deposits, debt securities issued and financial assets sold under repurchase agreements, due to other banks and other financial institutions. Our interest expense increased by 22.7% from RMB1,449.3 million in 2022 to RMB1,777.8 million in 2023, primarily attributable to the increase in customer deposits, and financial assets sold under repurchase agreements, due to other banks and other financial institutions.

Interest Expense on Customer Deposits

Customer deposits are our primary source of funding. Interest expense on customer deposits represented 79.8%, 78.3% and 82.8% of our total interest expense in 2021, 2022 and 2023, respectively.

The following table sets for the daily average balance, interest expense and average cost of our customer deposits by product type:

	Years ended December 31,								
	2021			2022			2023		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
	(RMB in millions, except for percentages)								
Corporate deposits									
Demand	17,172.9	164.2	0.96	17,895.8	184.9	1.03	19,490.7	227.2	1.17
Time	7,750.9	181.6	2.34	9,930.4	235.4	2.37	15,261.2	380.6	2.49
Subtotal	24,923.9	345.8	1.39	27,826.1	420.3	1.51	34,751.9	607.8	1.75
Personal deposits									
Demand	3,552.0	14.6	0.41	4,333.7	24.3	0.56	4,912.5	27.0	0.55
Time	14,910.8	567.8	3.81	18,591.5	690.9	3.72	23,988.1	836.5	3.49
Subtotal	18,462.8	582.5	3.15	22,925.3	715.2	3.12	28,900.6	863.5	2.99
Total	43,386.7	928.2	2.14	50,751.4	1,135.5	2.24	63,652.5	1,471.2	2.31

Our interest expense on customer deposits increased by 22.3% from RMB928.2 million in 2021 to RMB1,135.5 million in 2022, primarily attributable to the continued increase in the interest expense from our personal deposits that generally had a higher average cost than corporate deposits. Our interest expense on customer deposits increased by 29.6% from RMB1,135.5 million in 2022 to RMB1,471.2 million in 2023, primarily attributable to the increase in the average balance of customer deposits in line with our business growth.

Interest expense on corporate deposits accounted for 37.3%, 37.0% and 41.3% of our total interest expenses on customer deposits in 2021, 2022 and 2023, respectively. Our interest expense on corporate deposits increased by 21.6% from RMB345.8 million in 2021 to RMB420.3 million in 2022, primarily attributable to the increase in the average balance and average cost. Our interest expense on corporate deposits increased by 44.6% from RMB420.3 million in 2022 to RMB607.8 million in 2023, primarily attributable to the increase in the average balance, as well as the increase in the average cost, mainly due to the increased proportion of time deposits with relatively high cost.

Interest expense on personal deposits accounted for 62.8%, 63.0% and 58.6% of our total interest expenses on customer deposits in 2021, 2022 and 2023, respectively. Our interest expense on personal loans increased by 22.8% from RMB582.5 million in 2021 to RMB715.2 million in 2022, primarily attributable the increase in the average balance. Such an increase was partially offset by a decrease in average cost from 3.15% in 2021 to 3.12% in 2022, mainly due to a decrease the average cost of personal time deposits as we enhanced cost control. Our interest expense on personal deposits increased by 20.8% from RMB715.2 million in 2022 to RMB863.5 million in 2023, primarily attributable to the increase in average balance.

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued accounted for 10.0%, 9.9% and 6.3% of our total interest expenses in 2021, 2022 and 2023, respectively. Our interest expense on debt securities issued increased by 23.1% from RMB116.9 million in 2021 to RMB143.9 million in 2022, primarily due to an increase in the interest expense from issuance of interbank certificates of deposit for a stable source of funding for our business operations and development. Our interest expense on debt securities issued decreased by 21.7% from RMB143.9 million in 2022 to RMB112.7 million in 2023, primarily due to the decrease in the average balance, as our long-term financing needs declined with an increase in time deposits, and a decrease in the average cost mainly influenced by a decline in market interest rates.

Interest Expense on Financial Assets Sold Under Repurchase Agreements, Due to Other Banks and Other Financial Institutions

Interest expense on financial assets sold under repurchase agreements, due to other banks and other financial institutions accounted for 8.6%, 9.2% and 8.6% of our total interest expenses in 2021, 2022 and 2023, respectively. Our interest expense on financial assets sold under repurchase agreements, due to other banks and other financial institutions increased by 34.0% from RMB99.8 million in 2021 to RMB133.7 million in 2022, which then increased by 14.1% to RMB152.5 million in 2023, primarily due to an increase in the average balance as we continuously increased the investment scale in interbank placements. Such an increase was partially offset by a continued decrease in the average cost from from 2021 to 2023, mainly affected by a decline in the market interest rate.

Interest Expense on Borrowings from Central Bank

Interest expense on borrowings from central bank accounted for 1.5%, 2.4% and 2.3% of our total interest expenses in 2021, 2022 and 2023, respectively. Our interest expense on borrowings from central bank increased by 98.9% from RMB17.7 million in 2021 to RMB35.2 million in 2022, which then increased by 13.9% to RMB40.1 million in 2023 primarily due to an increase in the average balance of borrowings from central bank in support of our increased loan disbursement to small and micro enterprises, corresponding with our continuous effort to scale up and pool the low-cost funds obtained from the central bank to support the small and micro enterprises through the relending mechanism ("支小再貸款"). See "Business – Our Principal Business Lines – Corporate Banking – Corporate Loans – Distribution of Corporate Loans by Size of Customers – Loans to Small and Micro Enterprises." Such an increase was partially offset by a continued decrease in the average cost from 2021 to 2023.

Net Interest Spread and Net Interest Margin

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

Our net interest spread remained relatively stable at 2.46% in 2021 and 2.45% in 2022. Our net interest spread then decreased to 2.08% in 2023, primarily attributable to a decrease in the average yield of loans and advances to customers and financial investment primarily affected by the decline in the market interest rate, which resulted in a decrease in the average yield of our interest-earning assets. Our net interest margin remained relatively stable at 2.56% in 2021 and 2.59% in 2022. Our net interest margin then decreased to 2.18% in 2023, primarily due to (i) an increase in the average balance of our loans and advances to customers, mainly corporate loans in line with our strengthened efforts to scale up corporate business, and (ii) an increase in the average balance of financial investments in line with our increased investment scale, which collectively resulted in an increase in the average balance of our interest-earning assets.

Net Fee and Commission Income

Net fee and commission income represented 2.0%, 2.1% and 2.0% of our total operating income in 2021, 2022 and 2023, respectively.

The following table sets forth our fee and commission income, fee and commission expense and net fee and commission income for the periods indicated:

	Years ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)					
Fee and commission income						
Commission income from settlement and agency services	12.9	24.2	25.8	39.2	11.6	15.4
Commission income from wealth management agency service	31.6	59.4	17.4	26.4	35.1	46.6
Commission income from bank card services	1.2	2.3	1.5	2.3	1.2	1.6
Other commission income(1)	7.5	14.1	21.2	32.3	27.4	36.4
Total fee and commission income	53.2	100.0	65.8	100.0	75.3	100.0
Fee and commission expense						
Commission expense from settlement and agency services	(17.4)	84.9	(23.1)	87.4	(28.5)	91.1
Other commission expense(2)	(3.1)	15.1	(3.3)	12.6	(2.8)	8.9
Total fee and commission expense	(20.5)	100.0	(26.5)	100.0	(31.4)	100.0
Net fee and commission income	32.7		39.4		43.9	

Notes:

(1) Primarily represented commission income from guarantees and commitments business.

(2) Primarily represented bank card commission expenses.

Our net fee and commission income increased by 20.5% from RMB32.7 million in 2021 to RMB39.4 million in 2022, primarily due to a 23.7% increase in our fee and commission income, mainly attributable to (i) a significant increase in commission income from settlement and agency services, primarily due to an increase in our issuance of bank acceptance bills and the scale of entrusted loan business; and (ii) a significant increase in other commission income as we continued charging acceptance risk management fee in 2022. Such an increase was partially offset by (i) a 44.9% decrease in commission income from wealth management agency services, mainly due to the decreased return on wealth management assets as a result of the changes in bond yields in the market; and (ii) a 32.8% increase in our commission expense from settlement and agency services, mainly attributable to our ongoing optimization of mobile payment platform Qianhuahua and the expansion of associated mobile payment scenarios as mentioned above.

Our net fee and commission income increased by 11.4% from RMB39.4 million in 2022 to RMB43.9 million in 2023, primarily due to a 14.4% increase in our fee and commission income, mainly attributable to (i) a significant increase in commission income from wealth management agency service, primarily due to our introduction of a new wealth management product and the increased amount of wealth management products that reached maturity, as well as the increased return on wealth management assets affected by the market conditions; and (ii) a 29.2% increase in other commission income, primarily representing our increased commission income from guarantees and commitments business. Such an increase was partially offset by (iii) a 55.0% decrease in commission income from settlement and agency services, primarily due to a decrease in our issuance of bank acceptance bills and the scale of entrusted loan business; and (iv) a 23.4% increase in our commission expense from settlement and agency services, primarily due to the increased transaction amount through our mobile payment platform Qianhuahua.

The acceptance risk management fee is a fee charged by our Bank for extending credit to customers or assuming risks on their behalf when accepting the acceptance bills. In an effort to expand our customer base, we did not levy any acceptance risk management fee prior to 2020. With the steady growth of our business and the stabilization of our customer base, we resumed collecting acceptance risk management fees on December 25, 2020. The fee rates are established in the Notice on Resuming the Collection of Bank Acceptance Risk Management Fees (《關於恢復收取銀行承兑匯票承兑敞口風險管理費的通知》規定). Specifically, for bank acceptance transactions, we generally levy a commission fee for handling acceptance bills at a certain percentage of the face value of the acceptance bill. For acceptance bills with exposure, we generally charge an acceptance exposure risk management fee determined based on the collateral and low-risk guarantee ratio as well as the acceptance period. We also extend fee reductions and waivers to eligible recipients, including small and micro enterprises.

In 2021, 2022 and 2023, the amount of acceptance risk management fee collected was RMB5.3 million, RMB19.5 million and RMB22.8 million, respectively. The increase in acceptance risk management fees from 2021 to 2022 was primarily because (i) bank acceptance bills of 2021 were issued towards the end of the year, thus most of the fees were recognized in 2022; and (ii) there was an increase in the issuance of bank acceptance bills from 2021 to 2022. The increase in acceptance risk management fees from 2022 to 2023 was primarily due to the increased issuance of bank acceptance bills in 2023 to support the local industry development.

The salient terms of our general arrangement with customers on acceptance bills are as follows:

- ***Acceptance of Bill***: Subject to certain condition precedents, we agree to accept the acceptance bills submitted by the drawer (customer). Condition precedents include but are not limited to the opening of an account with our Bank by the drawer, the provision of requested documents such as business license and financial statements, the deposit of the agreed security deposit amount, and/or the signing of guarantee contracts.

- ***Guarantee***: The drawer shall provide one or more forms of guarantees to our Bank. Options include depositing a security deposit, providing a guarantee, mortgage, pledge, or other forms of security. For guarantees in terms of security deposit, the drawer shall maintain the deposit ratio to not lower than an agreed ratio.

- ***Acceptance Risk Management Fees***: We shall charge a commission fee for handling acceptance bills at a certain percentage of the face amount of the acceptance bill, which shall be paid in full by the drawer at the time of signing. We shall charge an acceptance exposure risk management fee calculated according to our standard for acceptance bills with exposure, which shall be paid in full by the drawer at the time of signing.

- ***Payment Obligations***: The drawer shall deposit the full amount of the bill before the maturity date and authorize us to directly deduct any amount payable under the agreement from the drawer's account with our Bank. If we do not receive payment on the maturity date, we reserve the right to charge the drawer a daily penalty interest. If the drawer fails to pay the amount after we have paid the bill, we reserve the right to undertake other remedies, including deducting the amount from the bank account opened by the drawer with our Bank.

Other Components of Our Operating Income

Our other components of operating income accounted for 12.7%, 4.0% and 15.7% of our total operating income in 2021, 2022 and 2023, respectively. The following table sets forth other components of our operating income for the periods indicated:

	Years ended December 31,					
	2021		**2022**		**2023**	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)					
Net gains/(losses) on trading activities	171.2	83.1	(35.0)	(46.4)	291.8	85.7
Net gains on financial investment	11.0	5.3	86.5	114.7	10.6	3.1
Other operating income(1)	23.7	11.5	23.8	31.6	37.9	11.2
Total	205.9	100.0	75.4	100.0	340.3	100.0

Notes:

(1) Primarily consists of government grants and rental income.

Net Gains/(Losses) on Trading Activities

Net gains/(losses) on trading activities represented 10.6%, -1.9% and 13.4% of our total operating income in 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our net gains/(losses) on trading activities for the periods indicated:

	Years ended December 31,		
	2021	**2022**	**2023**
	Amount	*Amount*	*Amount*
	(RMB in millions, except for percentages)		
Debt securities	151.8	96.8	262.4
Funds	7.2	15.6	18.2
Asset management plans	12.2	(147.4)	11.3
Unlisted Stocks	–	–	(0.2)
Wealth management products	–	–	0.1
Total	171.2	(35.0)	291.8

We recorded net losses on trading activities of RMB35.0 million in 2022 as compared to net gains of RMB171.2 million in 2021, primarily due to (i) recognition of losses on asset management plans in 2022, mainly resulting from a decrease in valuation of the underlying assets of our asset management plans mainly affected by market fluctuations; and (ii) a 36.2% decrease in gains from debt securities, mainly due to decrease in fair value of debt securities held by us, which was in turn resulted from an increase in yields of debt securities market. Such a decrease was partially offset by a significant increase in gains on funds as we increased fund investments.

We recorded net gains on trading activities of RMB291.8 million in 2023 as compared to net losses on trading activities of RMB35.0 million in 2022, primarily due to (i) a significant increase in gains from our debt securities, mainly resulting from an increase in our allocation and an increase in the fair value of debt securities held by us; and (ii) recognition of gains on asset management plans of RMB11.3 million in 2023 as compared to a loss of RMB147.4 million in 2022, mainly resulting from an increase in the valuation of asset management plans with underlying assets in debt securities.

Net Gains on Financial Investments

Our net gains on financial investments represented net gains arising from financial assets at fair value through other comprehensive income. Our net gains on financial investments increased significantly from RMB11.0 million in 2021 to RMB86.5 million in 2022, representing the increase in net gains arising from financial assets at fair value through other comprehensive income. Such an increase was primarily attributable to the optimization of our asset structure and enhanced asset quality. Our net gains on financial investments decreased by 87.7% from RMB86.5 million in 2022 to RMB10.6 million in 2023, primarily due to the settlement of certain debt securities with relatively high returns, and our decreased sales in financial investment assets under the then-prevailing market.

Other Operating Income

Our other operating income primarily consisted of government grants and rental income. Our other operating income was RMB23.7 million, RMB23.8 million and RMB37.9 million in 2021, 2022 and 2023, respectively, representing 1.5%, 1.3% and 1.7% of our operating income, respectively. The following table sets forth a breakdown of our other operating income for the periods indicated:

	Years ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)					
Government grants	16.8	70.9	11.5	48.3	19.0	50.1
Rental income	8.9	37.6	11.0	46.2	6.4	16.9
Other miscellaneous income/(expenses)	(1.4)	(5.9)	1.1	4.6	(0.1)	(0.2)
Net gains/(losses) on disposal of property, plant and equipment	(0.7)	(3.0)	0.2	0.8	12.6	33.2
Total	23.7	100.0	23.8	100.0	37.9	100.0

Operating Expenses

The following table sets forth a breakdown of our operating expenses for the periods indicated:

	Years ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)					
Staff costs	334.2	55.1	358.9	54.8	396.3	56.7
General and administrative expenses	140.7	23.2	166.3	25.4	181.4	26.0
Depreciation and expenses	77.2	12.7	76.7	11.7	70.3	10.1
Professional fees(1)	5.6	0.9	7.2	1.1	5.0	0.7
Listing expenses	–	–	–	–	1.2	0.2
Tax and surcharges	18.9	3.1	20.8	3.2	21.8	3.1

	Years ended December 31,					
	2021		2022		2023	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)					
Auditors' remuneration						
– Audit service	1.1	0.2	0.6	0.1	0.7	0.1
– Non-audit service	0.6	0.1	0.2	0.0	0.1	0.0
Technical service fees	28.4	4.7	24.7	3.8	21.4	3.1
Total operating expenses	606.8	100	655.4	100.0	698.2	100.0
Cost-to-income ratio(2)		36.27%		33.99%		31.17%

Notes:

(1) Primarily represented legal fees.

(2) Calculated by dividing total operating expenses, excluding tax and surcharges, by total operating income.

Our operating expenses increased by 8.0% from RMB606.8 million in 2021 to RMB655.4 million in 2022, which then increased by 6.5% to RMB698.2 million in 2023, primarily due to the increase in staff costs.

Our cost-to-income ratio (excluding tax and surcharges) was 36.27%, 33.99% and 31.17% in 2021, 2022 and 2023, respectively, primarily reflecting our enhanced operational efficiency benefited from strengthened cost management capabilities.

Staff Cost

The following table sets forth a breakdown of our staff costs for the periods indicated:

	Years ended December 31,		
	2021	2022	2023
	(RMB in millions)		
Wages and salaries, bonus, allowance and subsidies	232.1	248.6	278.0
Social security contributions	42.8	47.5	49.0
Defined contribution benefits	37.3	42.4	45.0
Staff welfare	13.0	12.9	14.4
Labour union funds and employee education funds	6.4	6.1	6.9
Supplementary retirement benefits	2.6	1.4	2.9
Total	334.2	358.9	396.2

Our staff cost increased by 7.4% from RMB334.2 million in 2021 to RMB358.9 million in 2022, primarily resulting from the increased employee headcount corresponding with our business growth, and the increased employee wages, salaries and bonuses to incentivize our employees and in line with the increased headcount in senior management. Our staff cost increased by 10.4% from RMB358.9 million in 2022 to RMB396.2 million in 2023, primarily due to the increased number of employees.

General and Administration Expenses

Our general and administration expenses primarily consisted of business and publicity expenses, security and defense expenses and other business and management expenses. Our general and administrative expenses increased by 18.2% from RMB140.7 million in 2021 to RMB166.3 million in 2022, primarily attributable to the increase in business promotion fees and advertising fees in line with our business growth. Our general and administrative expenses increased by 9.1% from RMB166.3 million in 2022 to RMB181.4 million in 2023, primarily attributable to the increase in business promotion fees and advertising fees to attract customers and promote our loan and deposit businesses.

Depreciation and Expenses

Our depreciation and expenses primarily consisted of depreciation of property, plant and equipment, amortization of intangible assets and depreciation of right of use. Our depreciation and expenses remained relatively stable at RMB77.2 million in 2021 and RMB76.7 million in 2022. Our depreciation and expenses decreased by 8.3% from RMB76.7 million in 2022 to RMB70.3 million in 2023, primarily due to the disposal or full depreciation of certain self-used properties and projects.

Expected Credit Losses

The following table sets forth a breakdown of our expected credit losses for the periods indicated:

	Years ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)		
Loans and advances to customers at amortized cost	588.9	401.3	900.5
Financial investments – FVOCI	(12.6)	237.5	56.2
Off-balance-sheet items	0.3	47.8	(32.6)
Financial investments – amortized cost	1.8	29.6	0.0
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	62.5	2.9	0.1
Loans and advances to customers – fair value through other comprehensive income	0.5	1.2	2.5
Other financial assets	3.3	7.9	1.9
Total	644.7	728.3	928.6

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default, primarily including expected credit loss in our loans and advances to customers, financial investments, bank acceptance, letter of guarantee, financial assets held under resale agreements and interbank deposits and interbank placements. Our expected credit losses increased by 13.0% from RMB644.7 million in 2021 to RMB728.3 million in 2022, primarily attributable to an increase in the expected credit loss in financial investments, mainly related to the changes in the book value of the defaulted debt securities in 2022. See "Business – Our Principal Business Lines – Financial Markets – Financial Investment Business – Debt Securities Investment." Our expected credit losses then increased by 27.5% to RMB928.6 million in 2023, mainly attributable to an increase in the expected credit loss in loans and advances to customers at amortized cost, which increased in line with our increased scale of loans and advances to customers from December 31, 2022 to December 31, 2023.

Impairment Losses

Our impairment losses increased significantly from RMB0.5 million in 2021 to RMB5.8 million in 2022, primarily due to the recognition of investment properties of RMB5.0 million in 2022. Our impairment losses decreased by 93.1% from RMB5.8 million in 2022 to RMB0.4 million in 2023, primarily because the aforementioned recognition of investment properties did not occur in 2023.

Income Tax Expense

The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax for the periods indicated:

	Years ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)		
Profit before income tax	369.0	477.5	542.6
Tax calculated at a tax rate of 25%	92.2	119.4	135.7
Tax effect arising from non-taxable income(1)	(58.1)	(83.4)	(84.3)
Tax effect of expenses that are not deductible for tax purposes(2)	5.2	6.1	5.8
Tax effect of recovery of loans that were deducted in previous years	1.4	2.9	8.0
Total	40.7	45.0	65.2

Notes:

(1) Our non-taxable income mainly represents interest income arising from government bonds and monetary fund which is non-taxable in accordance with the PRC tax laws.

(2) Our expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as insurance fees for customer deposits, non-public welfare donation expenses, staff cost and entertainment expenses, which exceed the tax deduction limits pursuant to the PRC Laws.

Our income tax expense increased by 10.6% from RMB40.7 million in 2021 to RMB45.0 million in 2022, which then increased by 44.9% to RMB65.2 million in 2023, primarily due to an increase in our taxable operating income in line with our business growth. Our effective income tax rate was 11.0%, 9.4% and 12.0% in 2021, 2022 and 2023, respectively.

Net Profit

Our net profit increased by 31.7% from RMB328.3 million in 2021 to RMB432.5 million in 2022, primarily attributable to (i) an increase in our net interest income of RMB370.1 million, mainly due to an increase in loans and advances to customers as a result of our strengthened efforts to broaden our customer base and expand lending activities; and (ii) an increase in our net gains on financial investments of RMB75.5 million, mainly attributable to the optimization of our asset structure and enhanced asset quality. Such an increase was partially offset by (i) a change from net gains on trading activities of RMB171.2 million in 2021 to net losses on trading activities of RMB35.0 million in 2022, mainly attributable to a decrease in valuation of the underlying assets of our asset management plans affected by market fluctuations; and (ii) a reduction in gains from debt securities mainly due to a decrease in fair value of debt securities held by us.

Our net profit increased by 10.4% from RMB432.5 million in 2022 to RMB477.4 million in 2023, primarily attributable to (i) an increase in our loans and advances to customers as a result of our strengthened efforts to broaden our customer base and expand lending activities that resulted in an increase in our interest income; and (ii) an increase in the gains from debt securities mainly resulting from an increase in our allocation and an increase in the fair value of debt securities held by us, and an increase in the gains from asset management plans, mainly resulting from an increase in the valuation of asset management plans with underlying assets in debt securities, which collectively resulted in an increase in our net gains on trading activities. Such an increase was partially offset by (i) an increase in our scale of total loans and financial investments that resulted in an increase in the expected credit losses; and (ii) a decrease in our net gains on financial investments as a result of our relatively cautious investment strategy, which was informed by the prevailing market conditions characterized by relatively low interest rates and ample market liquidity.

Other Comprehensive Income/(Losses)

	Year ended December 31,		
	2021	2022	2023
	(RMB in millions)		
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income	(53.5)	(171.5)	141.4
Credit impairment losses for financial assets at fair value through other comprehensive income	(12.2)	238.7	58.7
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income	16.4	(16.8)	(50.0)
Items that will not be reclassified to profit or loss:			
Changes in remeasurement of defined benefit plans	(1.6)	–	(0.5)
Impact on income tax on changes in remeasurement of defined benefit plans	0.4	–	0.1
Other comprehensive income for the year, net of tax	(50.4)	50.4	149.7
Total comprehensive income	277.9	483.0	627.1
Total comprehensive income attributable to:			
Shareholders of the Bank	302.1	488.1	618.1
Non-controlling interests	(24.2)	(5.2)	9.0

Our financial assets at fair value through other comprehensive income primarily consisted of debt securities. We recorded losses from changes in fair value of financial assets at fair value through other comprehensive income in the amount of RMB53.5 million and RMB171.5 million in 2021 and 2022, respectively. Such an increase was primarily due to the fluctuations in the market of debt securities, which resulted in a decrease in the fair value of our financial assets. We recorded income from changes in fair value of financial assets at fair value through other comprehensive income in the amount of RMB141.4 million in 2023 as compared to the losses of RMB171.5 million in 2022, primarily due to an increase in the fair value of our debt securities recognized at at fair value through other comprehensive income, as influenced by a decrease in the market interest in 2023. We incurred credit impairment losses of RMB12.2 million in 2021, credit impairment gains of RMB238.7 million in 2022 and credit impairment gains of RMB58.7 million in 2023 in accordance with the expected credit model under IFRS 9.

SUMMARY OF KEY OPERATING RESULTS

We have three principal business lines, including corporate banking, retail banking and financial market business. See "Business – Our Principal Business Lines." The following table sets forth our operating results for each business line for the periods indicated:

	Years ended December 31,									
	2021					2022				
	Corporate banking	Retail banking	Financial markets	Unallocated[1]	Total	Corporate banking	Retail banking	Financial markets	Unallocated[1]	Total
	(RMB in millions)									
Net interest income/(expense) from external customers[2]	1,320.5	(253.1)	314.8	–	1,382.2	1,798.1	(413.1)	367.2	–	1,752.3
Inter-segment net interest income/(expense)[3]	(90.6)	542.9	(452.3)	–	–	(358.8)	733.6	(374.8)	–	–
Net interest income	1,229.9	289.8	(137.5)	–	1,382.2	1,439.4	320.5	(7.6)	–	1,752.3
Net fee and commission income	11.0	0.4	21.3	–	32.7	28.1	0.1	11.1	–	39.4
Net gains on trading activities	–	–	171.2	–	171.2	–	–	(35.0)	–	(35.0)
Net gains on financial investments	–	–	11.0	–	11.0	–	–	86.5	–	86.5
Other operating income	14.9	6.9	1.1	0.8	23.7	14.6	7.6	1.1	0.5	23.8
Operating income	1,255.9	297.1	67.1	0.8	1,620.8	1,482.1	328.2	56.2	0.5	1,867.0
Operating expenses	(436.6)	(93.2)	(64.8)	(12.1)	(606.8)	(493.7)	(85.4)	(67.0)	(9.3)	(655.4)
– Depreciation and amortization	(47.4)	(24.1)	(3.5)	(2.3)	(77.3)	(47.5)	(24.0)	(3.6)	(1.6)	(76.7)
– Others	(389.1)	(69.2)	(61.4)	(9.9)	(529.6)	(446.2)	(61.4)	(63.4)	(7.7)	(578.7)
Expected credit losses	(537.0)	(56.0)	(51.7)	–	(644.7)	(423.5)	(34.8)	(270.1)	–	(728.3)
Impairment losses	(0.3)	(0.1)	–	–	(0.5)	(3.6)	(1.8)	(0.3)	(0.1)	(5.8)
Profit before income tax	282.0	147.8	(49.5)	(11.3)	369.0	561.3	206.2	(281.1)	(8.9)	477.5
Capital expenditure	(37.4)	(19.0)	(2.7)	(1.8)	(60.9)	(24.3)	(12.3)	(1.9)	(0.8)	(39.3)
Segment assets	32,176.1	6,478.0	28,883.2	24.4	67,561.7	40,803.3	5,455.6	33,078.2	15.4	79,352.5
Segment liabilities	28,616.3	20,730.0	10,949.1	11.2	60,306.6	35,154.1	25,979.3	10,601.3	10.6	71,745.3

	Years ended December 31,					Six months ended June 30,									
	2023					2023					2024				
	Corporate banking	Retail banking	Financial markets	Unallocated[1]	Total	Corporate banking	Retail banking	Financial markets	Unallocated	Total	Corporate banking	Retail banking	Financial markets	Unallocated	Total
	(RMB in millions)							(unaudited)							
Net interest income/(expense) from external customers[2]	1,870.7	(584.0)	498.8	–	1,785.6	897.9	(284.0)	248.8	–	862.7	921.3	(405.8)	312.3	–	827.8
Inter-segment net interest income/(expense)[3]	(310.0)	1,030.1	(720.0)	–	–	(118.6)	452.5	(334.0)	–	–	(189.7)	635.6	(446.0)	–	–
Net interest income	1,560.7	446.1	(221.2)	–	1,785.6	779.4	168.5	(85.2)	–	862.7	731.7	229.8	(133.7)	–	827.8
Net fee and commission income	20.4	0.5	23.0	–	43.9	9.5	(0.4)	7.0	–	16.1	19.4	0.4	17.1	–	36.9
Net gains on trading activities	–	–	291.8	–	291.8	–	–	183.2	–	183.2	–	–	130.0	–	130.0
Net gains on financial investments	–	–	10.6	–	10.6	–	–	0.6	–	0.6	–	–	69.8	–	69.8
Other operating income	23.4	11.9	1.8	0.8	37.9	8.3	4.2	0.6	0.3	13.4	8.3	4.2	0.7	0.3	13.4
Operating income	1,604.5	458.4	106.1	0.8	2,169.8	797.2	172.3	106.1	0.2	1,075.9	759.4	234.5	83.9	0.2	1,078.0
Operating expenses	(431.8)	(213.7)	(37.9)	(14.8)	(698.2)	(244.4)	(38.1)	(41.5)	(5.1)	(329.2)	(216.1)	(106.5)	(20.2)	(6.9)	(349.7)
– Depreciation and amortization	(43.4)	(22.1)	(3.3)	(1.5)	(70.3)	(22.5)	(11.3)	(1.7)	(0.8)	(36.3)	(19.6)	(10.0)	(1.6)	(0.6)	(31.8)
– Others	(388.4)	(191.7)	(34.6)	(13.2)	(627.9)	(222.0)	(26.8)	(39.8)	(4.3)	(292.9)	(196.4)	(96.5)	(18.6)	(6.2)	(317.8)
Expected credit losses	(793.3)	(91.8)	(43.5)	–	(928.6)	–	–	–	–	(455.5)	–	–	–	–	(381.3)
Impairment losses	(0.3)	(0.1)	0.0	0.0	(0.4)	(408.6)	0.9	(47.8)	–	–	(300.6)	(24.9)	(55.9)	–	–
Profit before income tax	379.1	152.7	24.7	(13.9)	542.6	144.1	135.1	16.9	(4.8)	291.2	242.7	103.1	7.8	(6.6)	347.0
Capital expenditure	(42.4)	(21.6)	(3.3)	(1.5)	(68.7)	(12.2)	(6.1)	(0.9)	(0.5)	(19.7)	(9.0)	(4.6)	(0.7)	(0.3)	(14.5)
Segment assets	48,262.2	5,376.9	38,673.9	16.5	92,329.4	44,666.3	5,173.1	37,692.4	17.0	87,548.8	51,133.0	5,297.0	42,625.3	14.9	99,070.1
Segment liabilities	40,116.8	34,216.0	9,815.0	9.7	84,157.5	38,479.2	29,853.5	11,313.2	18.8	79,664.7	41,713.8	40,793.8	8,057.1	13.8	90,578.5

Notes:

(1) Representing income and expenses that are not directly attributable to any specific segment, including rental income and other miscellaneous income.

(2) Consisted of net interest income from external customers or activities.

(3) Consisted of net income income/(expense) attributable to transactions with other segments.

The following table sets forth the operating income of each business line for the periods indicated:

	Years ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Amount	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*	*Amount*	*% of total*
	(RMB in millions, except for percentages)									
							(unaudited)			
Corporate banking	1,255.9	77.6	1,482.1	79.4	1,604.5	74.0	797.2	74.1	759.4	70.4
Retail banking	297.1	18.3	328.2	17.6	458.4	21.1	172.3	16.0	234.5	21.8
Financial market	67.1	4.1	56.2	3.0	106.1	4.9	106.1	9.9	83.9	7.8
Unallocated(1)	0.8	0.0	0.5	0.0	0.8	0.0	0.2	0.0	0.2	0.0
Total	1,620.8	100.0	1,867.0	100.0	2,169.8	100.0	1,075.9	100.0	1,078.0	100.0

Note:

(1) Represents operating income that are not directly attributable to any specific segment, including rental income and other miscellaneous income.

The operating income of corporate banking represented 77.6%, 79.4%, 74.0%, 74.1% and 70.4% of our total operating income in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Operating income from corporate banking increased by 18.0% from RMB1,255.9 million in 2021 to RMB1,482.1 million in 2022, which then increased by 8.3% to RMB1,604.5 million in 2023, primarily due to our continuous efforts in developing and marketing corporate banking business, which has led to an expansion of our small and medium-sized enterprise customer base, as well as the increase in the interest income of corporate banking products. The operating income from corporate banking decreased by 4.7% from RMB797.2 million in the six months ended June 30, 2023 to RMB759.4 million in the six months ended June 30, 2024, primarily due to (i) the increase in the average balance of time deposit with higher interest rates and (ii) the decrease in the market interest rate in the six months ended June 30, 2024. See "Business – Our Principal Business Lines – Corporate Banking."

The operating income of retail banking represented 18.3%, 17.6%, 21.1%, 16.0% and 21.8% of our total operating income in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Operating income from retail banking increased by 10.5% from RMB297.1 million in 2021 to RMB328.2 million in 2022, which then increased by 39.7% to RMB458.4 million in 2023, primarily due to our continuous efforts in expanding retail banking business by developing retail customers and diversifying retail banking products. The operating income from retail banking increased by 36.1% from RMB172.3 million in the six months ended June 30, 2023 to RMB234.5 million in the six months ended June 30, 2024, primarily due to our continued efforts to expand the retail banking business. See "Business – Our Principal Business Lines – Retail Banking."

The operating income of financial market represented 4.1%, 3.0%, 4.9%, 9.9% and 7.8% of our total operating income in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Operating income from financial market decreased by 16.2% from RMB67.1 million in 2021 to RMB56.2 million in 2022, primarily due to the decrease in interest yield as affected by the market fluctuations. The operating income from financial market then increased by 88.8% from RMB56.2 million in 2022 to RMB106.1 million in 2023, primarily due to our strengthened efforts in expanding financial market business, which resulted in an increase in the fair value of debt securities held by us and asset management plans that contributed to an increase in the net gains on trading activities. The operating income from financial market decreased by 21.0% from RMB106.1 million in the six months ended June 30, 2023 to RMB83.9 million in the six months ended June 30, 2024, primarily due to the increased interest expenses led by our increased deposit costs. See "Business – Our Principal Business Lines – Financial Markets."

CASH FLOWS

The following table sets forth our cash flows for the periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in millions)			*(unaudited)*	
Cash flow from operating activities before changes in operating assets and liabilities	766.3	984.5	846.1	438.1	296.4
Cash flows from changes in operating assets and liabilities	(543.0)	(125.6)	5,210.7	(3,204.5)	(4,753.0)
Net cash generated from operating activities	182.6	813.9	5,991.7	3,606.0	4,964.2
Net cash used in investing activities	(6,319.1)	(300.0)	(4,992.7)	(6,594.1)	(2,790.2)
Net cash generated from/(used in) financing activities	4,213.5	93.8	(1,371.6)	(694.2)	(2,845.6)

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in millions)				
				(unaudited)	
Net increase/(decrease) in cash and cash equivalents	(1,923.0)	607.7	(372.6)	(3,682.3)	(671.6)
Cash and cash equivalents at the beginning of the year/period	9,537.1	7,614.1	8,221.8	8,221.8	7,849.2
Cash and cash equivalents at the end of the year/period	7,614.1	8,221.8	7,849.2	4,539.5	7,177.6

Net Cash Generated from Operating Activities

Cash inflows from operating activities were primarily attributable to increases in customer deposits, other liabilities and due to central bank. Cash outflow from operating activities were primarily attributable to increases in customer loans and other operating assets.

We had a net cash inflow of RMB4,964.2 million in the six months ended June 30, 2024, primarily attributable to our profit before income tax of RMB347.0 million, as adjusted by (i) a net increase of RMB9,024.1 million in customer deposits; (ii) a net increase of RMB3,635.8 million in loans and advances to customers; (iii) a net increase of RMB424.4 million in amounts due to banks and other financial institutions; and (iv) a net increase of RMB410.9 million in balances with central bank.

We had a net cash inflow of RMB5,991.7 million in 2023, primarily attributable to our profit before income tax of RMB542.6 million, as adjusted by (i) a net increase of RMB12,045.2 million in customer deposits; (ii) a net increase of RMB7,964.5 million in loans and advances to customers; (iii) a net increase of RMB1,113.0 million in amounts due to banks and other financial institutions; and (iv) a net increase of RMB318.0 million in borrowings from central bank.

We had a net cash inflow of RMB813.9 million in 2022, primarily attributable to our profit before income tax of RMB477.5 million, as adjusted by (i) a net increase of RMB11,051.1 million in customer deposits; (ii) a net increase of RMB881.1 million in borrowings from central bank; partially offset by (iii) a net increase of RMB8,345.1 million in loans and advances to customers; and (iv) a net increase of RMB2,709.6 million in other operating assets.

We had a net cash inflow of RMB182.6 million in 2021, primarily attributable to our profit before income tax of RMB369.0 million, as adjusted by (i) a net increase of RMB5,987.4 million in customer deposits; (ii) a net increase of RMB874.6 million in amounts due to banks and other financial institutions; partially offset by (iii) a net increase of RMB7,724.0 million in loans and advances to customers.

Net Cash Used in Investing Activities

We had a net cash outflow of RMB2,790.2 million in the six months ended June 30, 2024, primarily attributable to (i) purchase of financial investment of RMB17,524.8 million; partially offset by (ii) proceeds from sales and redemption of investments of RMB14,378.9 million.

We had a net cash outflow of RMB4,992.7 million in 2023, primarily attributable to (i) purchase of financial investment of RMB29,692.7 million; partially offset by (ii) proceeds from sales and redemption of investments of RMB24,050.6 million.

We had a net cash outflow of RMB300.0 million in 2022, primarily attributable to (i) purchase of investment securities of RMB21,201.3 million; partially offset by (ii) proceeds from sale and redemption of investments of RMB20,391.1 million.

We had a net cash outflow of RMB6,319.1 million in 2021, primarily attributable to (i) purchase of investment securities of RMB32,759.5 million; partially offset by (ii) proceeds from sale and redemption of investments of RMB26,039.8 million.

Net Cash Generated from/(Used in) Financing Activities

We had a net cash outflow of RMB2,845.6 million in the six months ended June 30, 2024, primarily attributable to repayment for debt securities issued of RMB2,840.0 million.

We had a net cash outflow of RMB1,371.6 million in 2023, primarily attributable to (i) repayment for debt securities issued of RMB4,760.0 million; partially offset by (ii) proceeds from issuance of debt securities of RMB3,459.5 million.

We had a net cash inflow of RMB93.8 million in 2022, primarily attributable to (i) proceeds from issuance of debt securities of RMB4,380.6 million; partially offset by (ii) payment for debt securities issued of RMB4,240.0 million.

We had a net cash inflow of RMB4,213.5 million in 2021, primarily attributable to (i) proceeds from issuance of debt securities of RMB4,308.7 million; (ii) proceeds from issuance of shares of RMB2,074.8 million; partially offset by (iii) payment for debt securities issued of RMB2,170.0 million.

LIQUIDITY

We fund our loans and investment portfolios principally through our customer deposits. Although a majority of our customer deposits have been short-term deposits, customer deposits have been, and we believe will continue to be, a stable source of our customer funding. Customer deposits with remaining maturities of less than one year or repayable on demand represented 72.0%, 68.9%, 61.1% and 59.2% of our total customer deposits as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. For additional information about our short-term liabilities and sources of funds, see "Assets and Liabilities – Liabilities and Sources of Funds" and "Regulatory Overview – Loan Classification, Allowances and Write-offs – Other Operational and Risk Management Ratios."

We have implemented multiple measures to effectively manage our liquidity risks, including (i) conducting regular monitoring and simulation of future cash flows to anticipate and manage liquidity needs; (ii) assessing and measuring term gaps and financing requirements in advance to ensure preparedness; and (iii) providing regular updates to business lines about the term limits for their asset and liability operations, ensuring alignment with overall liquidity management goals. These measures are designed to strengthen the management of our asset and liability term structures, ensuring they are well-matched.

In addition to monitoring the maturities of our assets and liabilities and maintaining well-matched asset and liability term structures, we have instituted policies to ensure that we have sufficient funds to meet obligations as they become due. We have set requirement on the minimum proportion of maturity funds available to meet the demands for cash payment. We have also set the minimum level of interbank and other borrowing facilities in place to meet any unexpected liquidity requirements. We have been focusing on maintaining stable sources of funding and increasing our deposits from customers. Furthermore, to meet potential liquidity demand, we have taken the initiative to hold highly liquid financial assets, such as debt securities issued by PRC government and policy banks, and use deposits with the central bank and deposits with banks and other financial institutions for the purposes of daily liquidity management and settlement. We are able to utilize our cash and surplus deposit reserves and obtain funds from disposing our highly liquid financial assets on short notice. We are also able to quickly obtain financing in the interbank market and through issuing interbank certificates of deposit. See "Risk Management – Liquidity Risk Management" for details of our liquidity risk management measures.

The following table sets forth the remaining maturities of our assets and liabilities as of the date indicated:

	Overdue	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
	(RMB in millions)								
As at June 30, 2024									
Assets									
Cash and balances with central bank	–	1,355.2	–	2.3	–	–	–	3,932.6	5,290.1
Financial assets held under resale agreements, due from other banks and other financial institutions	147.6	2,618.1	2,645.7	700.9	394.1	–	–	–	6,506.4
Loans and advances to customers	508.5	–	2,071.0	4,404.2	21,333.8	18,947.9	5,460.1	–	52,725.5
Financial investments – fair value through profit or loss	–	–	131.7	331.3	1,365.8	3,429.2	127.7	1,409.5	6,795.2
Financial investments – fair value through comprehensive income	21.9	–	1,399.7	2,993.4	5,489.3	6,281.7	4,209.4	–	20,395.4
Financial investments – amortized cost	–	–	9.3	16.2	22.0	1,098.1	5,445.4	–	6,590.9
Other financial assets	37.0	63.9	–	–	–	–	–	–	100.9
Assets held for managing liquidity risk (contractual maturity dates)	715.0	4,037.2	6,257.4	8,448.3	28,605.0	29,756.9	15,242.6	5,342.1	98,404.5

	Overdue	On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
					(RMB in millions)				
Liabilities									
Borrowings from central bank	–	–	286.4	215.3	1,462.4	–	–	–	1,964.1
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	49.1	2,704.8	1,349.0	2,584.6	–	–	–	6,687.5
Customer deposits	–	23,022.9	4,395.9	3,788.3	16,369.9	32,886.1	–	–	80,463.2
Debt securities issued	–	–	–	299.2	168.3	–	–	–	467.5
Lease liabilities	–	–	1.3	1.7	6.5	12.7	1.7	–	23.9
Other financial liabilities	–	415.4	–	–	–	–	–	–	415.4
Total financial liabilities (contractual maturity dates)	–	23,487.4	7,388.4	5,653.5	20,591.7	32,898.8	1.7	–	90,021.6
Position	715.0	(19,450.2)	(1,131.0)	2,794.8	8,013.3	(3,141.9)	15,240.9	5,342.1	8,383.0

CAPITAL RESOURCES

Equity

The following table sets forth the components of the changes in our total equity attributable to shareholders and non-controlling interests for the periods indicated:

	Shareholders' Equity
	(RMB in millions)
As of January 1, 2021	5,731.1
Share capital	1,077.5
Capital reserve	1,037.4
Surplus reserve	26.1
General reserve	274.3
Other comprehensive income	(50.4)
Retained earnings	52.1
Non-controlling interests	35.7
As of December 31, 2021	8,183.7
Share capital	–
Capital reserve	50.0
Surplus reserve	37.1
General reserve	349.8
Other comprehensive income	50.4
Retained earnings	2.0
Non-controlling interests	(5.2)
As of December 31, 2022	8,667.9

	Shareholders' Equity
	(RMB in millions)
Share capital	–
Capital reserve	50.0
Surplus reserve	45.6
General reserve	159.1
Other comprehensive income	149.7
Retained earnings	205.2
Non-controlling interests	8.9
As of December 31, 2023	9,286.5
Share capital	–
Capital reserve	–
Surplus reserve	–
General reserve	–
Other comprehensive income	143.9
Retained earnings	206.2
Non-controlling interests	(22.4)
As of June 30, 2024	9,614.3

Debt

Interbank Certificates of Deposits

We issued 36 tranches, 33 tranches and 23 tranches of certificates of interbank deposit in the aggregate amount of RMB4,440.0 million, RMB5,250.0 million and RMB3,550.0 million in 2021, 2022 and 2023, respectively. The interest rates were in the range of 2.95%-3.98%, 2.50%-3.31% and 2.68%-3.11% per annum in 2021, 2022 and 2023, respectively. We did not issue any certificate of interbank deposit in the six months ended June 30, 2024.

Capital Adequacy

We are subject to capital adequacy requirements as promulgated by the NAFR. We shall maintain our capital adequacy ratio above the minimum level required by the NAFR during the transitional period.

The following table sets forth certain information relating to our capital adequacy ratio calculated in accordance with the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by the former CBIRC in June, 2012 and the New Capital Management Regulations:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024(1)**
	(RMB in millions)			
Core Tier-one Capital	8,035.6	8,539.7	9,158.5	9,506.8
Core Tier-one Capital deductions	(166.3)	(243.4)	(232.8)	(203.4)
Net Core Tier-one Capital	7,869.3	8,296.3	8,925.8	9,303.4
Other Tier-one Capital	21.1	23.1	24.4	24.1
Net Tier-one Capital	7,890.4	8,319.4	8,950.2	9,327.5
Tier-two Capital	603.7	764.0	842.2	839.2
Net Capital	8,494.1	9,083.4	9,792.4	10,166.7
Total risk-weighted assets	51,559.9	64,535.2	73,023.4	68,983.1
Core Tier-one Capital adequacy ratio	15.26%	12.86%	12.22%	13.49%
Tier-one Capital adequacy ratio	15.30%	12.89%	12.26%	13.52%
Capital adequacy ratio	16.47%	14.08%	13.41%	14.74%

Note:

(1) The relevant capital adequacy indicators as of June 30, 2024 were calculated in accordance with the New Capital Management Regulations, which took effect on January 1, 2024. It classifies commercial banks into three tiers based on their adjusted on-balance-sheet and off-balance-sheet assets as well as overseas claims and debt, and imposes specific requirements on each tier in terms of capital adequacy ratios, risk weights, and disclosure standards.

The capital adequacy ratio decreased from 16.47% as of December 31, 2021 to 14.08% as of December 31, 2022 and further decreased to 13.41% as of December 31, 2023, primarily due to our continuously increased risk-weighted assets in line with the increase in loans and advances to customers during the Track Record Period, which outpaced the growth of our capital.

We closely monitor capital adequacy ratio to ensure compliance with regulatory requirements and will take various measures to maintain ongoing compliance, including (i) raising capital by issuing new shares and debt securities, (ii) increasing retained earnings by continually improving profitability, and (iii) managing the growth of our risk-weighted assets.

As of December 31, 2021, 2022, 2023 and June 30, 2024, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were all in compliance with applicable regulatory requirements.

OFF-BALANCE SHEET COMMITMENTS

Our off-balance sheet commitments primarily consisted of letters of guarantee and bank acceptance. The following table sets forth the contractual amounts of our off-balance-sheet statement items as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in millions)			
Bank acceptances	7,608.6	11,412.2	6,510.7	7,477.3
Letters of guarantees	20.3	79.2	50.3	71.5
Total	7,628.9	11,491.4	6,561.0	7,548.8

Our total off-balance sheet commitments increased by 50.6% from RMB7,628.9 million as of December 31, 2021 to RMB11,491.4 million as of December 31, 2022, primarily due to a 50.0% increase of our bank acceptances from RMB7,608.6 million as of December 31, 2021 to RMB11,412.2 million as of December 31, 2022.

Our total off-balance sheet commitments decreased by 42.9% from RMB11,491.4 million as of December 31, 2022 to RMB6,561.0 million as of December 31, 2023, primarily due to a 42.9% decrease of our bank acceptances from RMB11,412.2 million as of December 31, 2022 to RMB6,510.7 million as of December 31, 2023.

Our total off-balance sheet commitments increased by 15.1% from RMB6,561.0 million as of December 31, 2023 to RMB7,548.8 million as of June 30, 2024, primarily due to a 14.8% increase of our bank acceptances from RMB6,510.7 million as of December 31, 2023 to RMB7,477.3 million as of June 30, 2024.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily for the acquisition of properties for and renovation of our branch and sub-branches, purchases of electronic equipment, and development of our information systems. Our capital expenditures amounted to RMB60.9 million, RMB39.3 million, RMB68.7 million and RMB14.5 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the face value of our known contractual obligations by remaining contract maturity classified into the categories specified below as of June 30, 2024. See "– Liquidity" for the remaining maturities of our assets and liabilities as of June 30, 2024.

	As of June 30, 2024			
	Less than one year	Between one year and five years	More than five years	Total
	(RMB in millions)			
Contractual obligations on balance sheet				
Interbank certificates of deposits issued	467.5	–	–	467.5
Subtotal	467.5	–	–	467.5
Contractual obligations off-balance sheet				
Bank acceptance	7,477.3	–	–	7,477.3
Letters of guarantee	71.0	0.5	–	71.5
Subtotal	7,548.3	0.5	–	7,548.8
Total	8,015.8	0.5	–	8,016.3

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with certain of our related parties, such as taking deposits from, extending credit facilities to, and providing other banking services to, the related parties. These transactions were conducted on normal commercial terms and in the ordinary course of our business. We believe that these related party transactions were carried out on an arm's-length basis and would not distort our results of operations during the Track Record Period or cause such results not to be reflective of our future performance. See Note 40 to the Accountant's Report attached hereto as Appendix I to this Prospectus for further details.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and equity prices. We separate exposures to market risk into either trading or non-trading portfolios. The market risk to which we are primarily exposed is interest rate risk.

Interest Rate Risk

The primary source of our interest rate risk arises from mismatches in the maturities or repricing periods of our banking book. Maturity mismatches may cause net interest income to be affected by changes in the prevailing level of interest rates. Currently, we primarily use gap analysis and sensitivity analysis to assess our exposure to interest rate risks. In addition, different pricing bases for different assets and liabilities may also lead to interest rate risk for our assets and liabilities within the same repricing period. We manage our interest rate risk exposure primarily by adjusting the maturity profile and repricing pattern of our banking book based on our assessment of potential changes in the interest rate environment.

Repricing Gap Analysis

The following table sets forth, as of June 30, 2024, the results of our gap analysis based on the earlier of (i) the next expected repricing dates; and (ii) the final maturity dates for our assets and liabilities.

	As of June 30, 2024						
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
	(RMB in millions)						
Assets							
Cash and balances with central bank	5,152.6	–	–	–	–	137.6	5,290.1
Financial assets held under resale agreements, due from other banks and other financial institutions	5,409.0	698.9	389.2	–	–	9.3	6,506.4
Loans and advances to customers	3,118.0	4,241.0	23,875.8	17,357.1	3,834.6	299.1	52,725.7

	As of June 30, 2024						
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
	(RMB in millions)						
Financial investments – fair value through profit or loss	130.1	330.7	1,343.1	3,375.4	127.7	1,488.2	6,795.2
Financial investments – fair value through comprehensive income	1,398.7	2,991.8	5,433.1	6,204.4	4,209.3	158.1	20,395.4
Financial investments – amortized cost	–	–	–	1,074.7	5,445.4	70.8	6,590.9
Other financial assets	–	–	–	–	–	100.9	100.9
Total assets	15,208.4	8,262.4	31,041.2	28,011.6	13,617.0	2,264.0	98,404.6
Liabilities							
Borrowings from central bank	286.4	214.3	1,462.4	–	–	1.0	1,964.1
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	2,752.7	1,340.0	2,580.0	–	–	14.8	6,687.5
Customer deposits	27,277.4	3,688.2	15,855.2	31,685.7	0	1,956.6	80,463.2
Debt securities issued	–	299.2	168.3	–	–	–	467.5
Lease liabilities	1.3	1.7	6.5	12.7	1.7	–	23.9
Other financial liabilities	–	–	–	–	–	415.4	415.4
Total liabilities	30,317.8	5,543.4	20,072.4	31,698.4	1.7	2,387.8	90,021.6
Total interest sensitivity gap	(15,109.4)	2,719.0	10,968.8	(3,686.8)	13,615.3	(123.8)	8,383.0

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net interest income. The following table sets forth, as of the dates indicated, the results of our interest rate sensitivity analysis based on our assets and liabilities at the same date.

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)			
+ 100 basis point parallel move in all yield curves	(77.6)	(50.3)	(32.3)	(37.6)
- 100 basis point parallel move in all yield curves	77.6	50.3	32.3	37.6

Based on our assets and liabilities as of June 30, 2024, if interest rates increase (or decrease) by 100 basis points instantaneously, our net interest income in the six months ended June 30, 2024 would decrease (or increase) by RMB37.6 million, respectively.

The sensitivity analysis above is based on the following assumptions: (i) the projections assume that yield curves move parallel to the change of interest rate; (ii) the assets and liabilities portfolio has a static structure of interest rate; and (iii) all positions are held and renewed after maturity. Due to the adoption of the aforementioned assumptions, the actual changes in our 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.

Indebtedness

As of October 31, 2024, the most recent practicable date for the purpose of ascertaining certain information contained in this description of indebtedness, we had the following indebtedness:

- interbank certificates of deposit in an aggregate principal amount of RMB1.62 billion;

- lease liabilities in an amount of RMB27.48 million;

- contingent liabilities, including bank acceptance, letters of guarantee issued, other commitments and contingencies that arose from our normal course of banking business.

Except as disclosed above, we did not have, as of October 31, 2024, any material and outstanding mortgages, charges, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities. We have confirmed that there has not been any material change in our indebtedness or contingent liabilities since October 31, 2024 and up to the date of this Prospectus.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining loans from the central bank, default in payment of such loans or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIVIDENDS

Dividend Policy

We have established the Dividend Distribution Management Measures (《股利分派管理辦法》) that stipulates our dividend policy. We do not have a fixed dividend payout ratio. Our Board of Directors is responsible for submitting proposals (adopted by a two-thirds majority) in respect of dividend payments, if any, to the Shareholders' general meeting for approval. The determination of whether to pay dividends and the amount of such dividends is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors considers relevant. Subject to our Articles of Association and laws and regulations on profit distribution by banks, our Board of Directors will recommend dividend payments to our Shareholders' general meetings. Under the PRC Company Law and our Articles of Association, all of our Shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding.

Under PRC laws and our Articles of Association, we may only pay dividends out of our distributable profits. Our distributable profit represents the lowest of (i) our consolidated net profit attributable to our equity holders for a period plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period as determined under PRC GAAP, (ii) the unconsolidated net profit of our Bank for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, (iii) our consolidated net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, and (iv) the unconsolidated net profit of our Bank for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, less:

- appropriations we are required to make to the statutory reserve, which is currently 10% of our unconsolidated net profit as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;

- a general reserve we are required to set aside; and

- appropriations to a discretionary surplus reserve as approved by our Shareholders in an annual general meeting.

Under relevant MOF regulations, we are required to maintain a general reserve no less than 1.5% of the balance of our risk-bearing assets from our net profits after tax. This general reserve constitutes part of our reserves. As of June 30, 2024, the balance of our general reserve amounted to RMB1,010.7 million, which were in compliance with all MOF requirements in respect of appropriation of the general reserve.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, generally we do not pay any dividends in a year in which we do not have any distributable profit in respect of that year. The payment of any dividends by us must also be approved at a shareholders' general meeting. We are prohibited from making any profit distributions to our Shareholders before recovering our accumulated losses and making appropriations to the statutory surplus reserve, the general reserve, and any discretionary surplus reserve as approved by our Shareholders' general meeting. If we make any profit distributions in violation of these rules, our Shareholders are required to return the amounts they received in such profit distributions to us.

The NAFR has the authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated other relevant PRC banking regulations, from paying dividends or making other forms of distributions. As of June 30, 2024, we had a capital adequacy ratio of 14.74%, a tier-one capital adequacy ratio of 13.52% and a core tier-one capital adequacy ratio of 13.49%, which were all in compliance with the relevant regulations. Please see "Regulatory Overview – Supervision over Capital Adequacy – Regulatory Requirements in respect of Capital Adequacy Ratios", "Regulatory Overview – Principal Regulators – CBIRC and Its Local Branches" and "Regulatory Overview – Principal Regulators – NAFR."

Dividend Declared During the Track Record Period

According to approval of the 2022 Annual Shareholders Meeting on May 19, 2022, we undertook to distribute RMB48.8 million from retained earnings as cash dividends to shareholders. As of the Latest Practicable Date, the cash dividend had been distributed as mentioned.

According to approval of the 2023 Annual Shareholders Meeting on June 29, 2023, we undertook to distribute RMB58.5 million from retained earnings as cash dividends to shareholders. As of the Latest Practicable Date, the cash dividend had been distributed as mentioned.

According to 2024 Annual Shareholders Meeting on April 29, 2024, we undertook to distribute RMB78.0 million from retained earnings as cash dividends to shareholders. As of the Latest Practicable Date, the cash dividend had been distributed as mentioned.

No dividend was declared post the Track Record Period and up to the Latest Practicable Date. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size, dividends will be paid in the future. For further details on our Bank's dividends, see "Financial Information – Dividends."

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to the "A. Unaudited pro-forma statement adjusted net tangible assets" in Appendix III to this Prospectus for the details of our unaudited pro forma adjusted consolidated net tangible assets.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

We confirm that there was no material adverse change in our financial or trading position from June 30, 2024 to the date of this Prospectus.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of Part A of Appendix 1A of the Listing Rules require this Prospectus to include a statement by our Directors that, in their opinion, the working capital available to our Bank is sufficient for at least 12 months from the publication of this Prospectus or, if not, how it is proposed to provide the additional working capital our Directors consider to be necessary. We are of the view that the traditional concept of "working capital" does not apply to banking businesses such as ours. We are regulated in the PRC by, among others, the PBoC and the NAFR. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in the PRC. Rule 8.21A(2) of the Listing Rules provides that such a working capital statement will not be required to be made by an issuer whose business is entirely or substantially that of the provision of financial services, provided that the Hong Kong Stock Exchange is satisfied that the inclusion of such a statement would not provide significant information for investors and the issuer's solvency and capital adequacy are subject to prudent supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A(2) of the Listing Rules we are not required to include a working capital statement from our Directors in this Prospectus.

LISTING EXPENSES

We expect to incur listing expenses (a contract amount which includes value-added tax of approximately RMB2.2 million) of approximately RMB68.8 million (assuming an Offer Price of HK$2.65 per H Share, being the mid-point of the indicative Offer Price range as stated in this Prospectus, and assuming the Over-allotment Option is not exercised), accounting for approximately 4.1% of the estimated gross proceeds of the Global Offering accruing to us. Our estimated listing expenses include (i) underwriting-related expenses, representing underwriting commission and fees of approximately RMB25.4 million; and (ii) non-underwriting-related expenses, comprising professional fees to the legal advisors and reporting accountant of approximately RMB28.1 million for their services rendered in relation to the Global Offering and the Listing, and other fees and expenses of approximately RMB13.1 million. Among the total listing expenses of RMB66.6 million (excluding the value-added tax), we have incurred listing expenses of approximately RMB24.7 million as of June 30, 2024, of which RMB1.7 million were reflected in our consolidated statement of comprehensive income and RMB23.0 million is expected to be accounted for as a deduction from equity upon Listing. The remaining listing expenses of approximately RMB41.9 million are expected to be incurred after June 30, 2024, of which RMB5.6 million is expected to be charged to our consolidated statements of comprehensive income and RMB36.3 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. We do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2024.

FUTURE PLANS

See the section headed "Business – Our Development Strategies" in this Prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$2.59, being the low-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering accruing to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to be approximately HK$1,709 million, if the Over-allotment Option is not exercised; or approximately HK$1,973 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.65, being the mid-point of the proposed Offer Price range of HK$2.59 to HK$2.72, we estimate that the net proceeds of the Global Offering accruing to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to be approximately HK$1,750 million, if the Over-allotment Option is not exercised; or to be approximately HK$2,019 million, if the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$2.72, being the high-end of the proposed Offer Price range, we estimate that the net proceeds of the Global Offering accruing to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to be approximately HK$1,797 million, if the Over-allotment Option is not exercised; or to be approximately HK$2,074 million, if the Over-allotment Option is exercised in full.

We intend to use the net proceeds from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business. Net proceeds from the Global Offering can supplement our core tier-one capital and thereby enhance our capital adequacy indicators including core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio. We will prudently plan the investment of the Global Offering proceeds and strengthen supervision to improve the efficiency of its use. We will further optimize our asset portfolios and properly allocate our investments in high-quality liquid assets.

To the extent that the net proceeds of the Global Offering are not immediately used in accordance with the specified plans, we will deposit such proceeds into short-term interest-bearing accounts at licenced commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

CCB International Capital Limited
ICBC International Securities Limited
BOCI Asia Limited
CLSA Limited
Zhongtai International Securities Limited
CMBC Securities Company Limited
Maxa Capital Limited
Shenwan Hongyuan Securities (H.K.) Limited
CNI Securities Group Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Bank is offering 68,840,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this Prospectus.

Subject to:

(a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned in this Prospectus and such listing and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Overall Coordinators (for themselves and on behalf of the Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this Prospectus, and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Bank from the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, legal, regulatory, currency, credit, economic, fiscal, exchange control or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, investment and credit markets and inter-bank markets) in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom and the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group (collectively the "**Relevant Jurisdictions**"); or

(ii) any new law or regulation or any change or development or announcement or publication involving a prospective change or any event or circumstance likely to result in a change or a development or announcement or publication involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent governmental authority in or affecting any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases or its escalation, mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, labor disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) the imposition or declaration of (A) any moratorium, suspension, restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange or the stock exchange in any other member of the European Union, or (B) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

(vi) any change or development involving a change or prospective change or amendment in or affecting taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or foreign investment regulations in or affecting any of the Relevant Jurisdictions (including without limitation any fluctuation in the Hong Kong dollars or Renminbi against any foreign currencies) or adversely affecting an investment in the Offer Shares; or any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or the value of the RMB is determined by reference to a basket of world currencies or a devaluation of Hong Kong dollars, or the Renminbi against any foreign currency in the Relevant Jurisdictions; or

(vii) the commencement by any governmental authority or other regulatory or law enforcement agency or organization in any Relevant Jurisdiction of any action or investigation against a Director or any member of the Group; or

(viii) any imposition of comprehensive sanction under any sanctions laws or regulations in, or withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) or any of the Relevant Jurisdictions; or

(ix) any change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(x) any adverse change or prospective adverse change in the earnings, results of operations, business, financial or trading position, conditions or prospects (financial or otherwise) of our Bank; or

(xi) a proceeding initiated by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xii) any order or petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or any resolution for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xiii) that any of the Directors of our Bank as set out in the section headed "Directors, Supervisors and Senior Management" in this Prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or the chairman or chief executive officer of our Bank vacating his office; or

(xiv) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by our Bank of a supplemental prospectus or amendment to this Prospectus pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(xv) a contravention by any member of the Group of the Listing Rules or the Companies Ordinance or any applicable laws or regulations; or any litigation, or claim of any third party or regulatory, administrative investigation or action being threatened or instigated against any member of the Group; or any litigation or claim of any third party, or any action being threatened or instigated against a Director; or

(xvi) a significant portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, or the investment commitments by any corporate investors after signing of agreements with such corporate investors, have been withdrawn, terminated or canceled;

and which, in any such case (whether individually or in the aggregate) and in the sole and absolute opinion of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, earnings, results of operations or financial or trading position or condition, prospects or otherwise of the Group as a whole; or (B) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or (C) makes or will make or may make it impracticable, inadvisable, inexpedient, incapable (i) to proceed with the Hong Kong Public Offering and/or the Global Offering; (ii) for the delivery of Shares on the terms and in the manner contemplated by this Prospectus; or (iii) for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged.

(b) there has come to the notice of the Overall Coordinators after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in any of Offering Documents (as defined in the Hong Kong Underwriting Agreement), the operative documents, and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our Bank in connection with the Global Offering (including any supplement or amendment thereto (the "**Relevant Documents**") was or has become untrue or incorrect or incomplete in any material respect or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission therefrom; or

(iii) any matter, event, act or omission which gives or is likely to give rise to any liability on the part of our Bank out of or in connection with (a) any material breach, inaccuracy and/or incorrectness of the representations, warranties, and undertakings in any material respect, or (b) any of the representations or warranties is misleading, or (c) any material breach of any of the obligations or undertakings of the Bank under this Agreement, pursuant to the indemnities given by our Bank, or any of them under the Hong Kong Underwriting Agreement (or would if repeated at that time); or

(iv) a prohibition on our Bank for whatever reason from allotting or issuing the Offer Shares pursuant to the terms of the Global Offering; or

(v) non-compliance of this Prospectus, the CSRC filings (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the CSRC rules or any other applicable law in any material respect; or

(vi) our Bank withdraws this Prospectus and/or any other documents issued or used in connection with the Global Offering; or

(vii) approval by the NAFR and the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued or sold and the additional H Shares which may be issued upon the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to any applicable conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the notice of acceptance of the CSRC filings issued by the CSRC and/or the results of the CSRC filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or

(ix) any expert (other than the Joint Sponsors) described under "Statutory and General Information – 4. Other Information – G. Qualification of Experts" in Appendix VII to this Prospectus, has withdrawn or is subject to withdrawing its consent to the issue of this Prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings given to the Stock Exchange pursuant to the Listing Rules by our Bank

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date) except for: (a) any capitalization issue, capital reduction or consolidation or sub-division of shares; or (b) issue of shares or securities pursuant to the Global Offering and the Over-allotment Option; or (c) any other applicable circumstances provided under rule 10.08 of the Listing Rules.

Undertakings given to the Hong Kong Underwriters by our Bank

Our Bank has undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure each other Group Company not to, without the prior written consent of the Joint Sponsors, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other equity securities of our Bank as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Bank) or any shares, as applicable, or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Bank or any shares, as applicable, with a depositary in connection with the issue of depositary receipts, except where such transaction is made solely among members of the Group; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Shares or other equity securities of our Bank, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Bank, as applicable, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Bank, or in cash or otherwise (whether or not the issue of such Shares or other shares or equity securities will be completed within the First Six-Month Period).

Underwriters' interests in our Bank

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this Prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares because of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please refer to the section headed "Structure of the Global Offering – The International Offering" in this Prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Overall Coordinators on behalf of the International Underwriters from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 103,260,000 additional H Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Offering, if any.

Commission and Expenses

The Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) ("**Total Fees**"). The final fee split ratio of the fixed fees and any discretionary fees is approximately 65:35.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$2.65 (being the mid-point of the stated range of the Offer Price between HK$2.59 and HK$2.72), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount to approximately HK$74.3 million in total.

Indemnity

We have undertaken to indemnify, hold harmless and keep each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries at all times fully indemnified on demand (on an after-tax basis), from and against certain losses which they may suffer pursuant to the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Bank and/or persons and entities with relationships with our Bank and may include swaps and other financial instruments entered into for hedging purposes in connection with our Bank's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this Prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Bank and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 68,840,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in "– The Hong Kong Public Offering"; and

- the International Offering of initially 619,560,000 Offer Shares (subject to reallocation and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or

- apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering,

but may not do both.

The 688,400,000 Offer Shares in the Global Offering will represent 15% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 68,840,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 1.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in "– Conditions of the Global Offering".

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools (with any odd lots being allocated to pool A):

- ***Pool A***: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable); and

- ***Pool B***: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 34,420,000 Hong Kong Offer Shares will be rejected (representing 50% of the total number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering).

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Overall Coordinators, subject to the following:

(a) where the International Offer Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 68,840,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 137,680,000 Offer Shares, representing twice of the total number of the Offer Shares initially available under the Hong Kong Public Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 206,520,000 Offer Shares (in the case of (1)), 275,360,000 Offer Shares (in the case of (2)) and 344,200,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Offer Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 68,840,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 137,680,000 Offer Shares, representing twice of the total number of the Offer Shares initially available under the Hong Kong Public Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$2.59 per Offer Share) according to Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange and paragraph 4.2 of Practice Note 18 of the Listing Rules.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), maximum price of HK$2.72 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% on each Offer Share, amounting to a total of HK$2,747.42 for one board lot of 1,000 H Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in "– Pricing and Allocation", is less than the maximum price of HK$2.72 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 619,560,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the International Offering will represent approximately 13.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offer Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "*book-building*," is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Overall Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its H Shares, after the listing of the H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Bank and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described above in "The Hong Kong Public Offering – Reallocation" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Bank to issue up to 103,260,000 H Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things (such as effecting the permitted stabilizing actions as set out in "– Stabilization" below), cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional H Shares to be issued pursuant thereto will represent approximately 2.2% of our enlarged issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end on the 30th day after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing, or agreeing to purchase, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimising any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in H Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Friday, February 7, 2025, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;

- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 103,260,000 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid on the Listing Date, and before the commencement of dealings accordingly there will be no delayed settlement of the Offer Shares.

Our Bank will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

PRICING AND ALLOCATION

Our Bank and the Overall Coordinators (for themselves and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Thursday, January 9, 2025, and in any event, not later than 12:00 noon on Thursday, January 9, 2025.

The Offer Price will not be more than HK$2.72 per Offer Share and is expected to be not less than HK$2.59 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you are required to pay, on application (subject to application channel), the maximum price of HK$2.72 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% fee, amounting to a total of HK$2,747.42 for one board lot of 1,000 H Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$2.72, we will refund the respective difference, including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for Hong Kong Offer Shares".

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "*book-building*", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Bank, reduce the number of Offer Shares and/or the Offer Price range below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish an announcement or supplemental prospectus on the website of the Stock Exchange at **www.hkexnews.hk** and on our website at **www.ybccb.com** (the contents of the website do not form a part of this Prospectus). Upon issue of such announcement or supplemental prospectus, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range. Our Bank will then relaunch the offer at the revised number of Offer Shares and/or the revised Offer Price with a supplemental or new prospectus as required under Rule 11.13 of the Listing Rules, and complete the requisite settlement processes on the FINI platform afresh. The Global Offering must first be canceled and subsequently relaunched on the FINI platform pursuant to the supplemental or new prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in "Summary" in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Bank and the Overall Coordinators (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – B. Publication of Results".

If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Bank by 12:00 noon on Thursday, January 9, 2025, the Global Offering will not proceed and will lapse.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued as described in this Prospectus (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option);

- the Offer Price having been agreed between us and the Overall Coordinators (for themselves and on behalf the Underwriters);

- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Thursday, January 9, 2025, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Bank on our website at **www.ybccb.com** and the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares – D. Dispatch/Collection of H Share Certificates and Refund of Application Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in "Underwriting".

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, January 13, 2025, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, January 13, 2025.

The H Shares will be traded in board lots of 1,000 H Shares each.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This Prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under "HKEXnews > New Listings > New Listing Information" and our website at **www.ybccb.com**.

The contents of this Prospectus are identical to the Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address (for the **White Form eIPO** service only); and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing beneficial owner of Shares in our Bank and/or any its subsidiaries;
- are a Director or a Supervisor or chief executive officer of our Bank and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- will become a core connected person (as defined in the Listing Rules) of our Bank upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any Offer Shares or otherwise participate in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Monday, December 30, 2024 and end at 12:00 noon on Wednesday, January 8, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	**www.eipo.com.hk**	Applicants who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on **Monday, December 30, 2024** to 11:30 a.m. on **Wednesday, January 8, 2025** (Hong Kong time). The latest time for completing full payment of application monies will be 12:00 noon on **Wednesday, January 8, 2025** (Hong Kong time).
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instruction(s) on your behalf through HKSCC's FINI system in accordance with your instructions.	Applicants who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions, and you are advised not to wait until the last day for applications to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the application instructions are given, you shall be deemed to have declared that only one set of application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this Prospectus and any supplement to it.

For those applying through the **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instruction given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this Prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[(2)] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Hong Kong identity card ("**HKID**"); or
  - ii. National identification document; or
  - iii. Passport
- Identity document number

For Corporate Applicants

- Full name(s)[(2)] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Legal Entity Identifier ("**LEI**") registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document
- Identity document number

Notes:

(1) If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID.

(2) The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both English and Chinese names, both English and Chinese names must be used. Otherwise, either English or Chinese name will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID, the HKID number must be used when making an application for Hong Kong Offer Shares. Similarly, for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

(3) If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

(4) The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.

(5) If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each of the joint beneficial owners. If you do not include this information, the application will be treated as being made for your benefit.

(6) If an application is made by an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the **HKSCC EIPO** channel and making an application under a power of attorney, the Overall Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	1,000 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$2.72 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%. If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. You are responsible for complying with any such pre-funding requirement imposed by your broker or custodian with respect to the Hong Kong Offer Shares.

By instructing your broker or custodian to apply for Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
1,000	2,747.42	20,000	54,948.62	100,000	274,743.12	3,000,000	8,242,293.60
2,000	5,494.87	25,000	68,685.78	200,000	549,486.25	4,000,000	10,989,724.80
3,000	8,242.29	30,000	82,422.93	300,000	824,229.35	5,000,000	13,737,156.00
4,000	10,989.72	35,000	96,160.09	400,000	1,098,972.48	6,000,000	16,484,587.20
5,000	13,737.16	40,000	109,897.25	500,000	1,373,715.60	7,000,000	19,232,018.40
6,000	16,484.58	45,000	123,634.40	600,000	1,648,458.72	8,000,000	21,979,449.60
7,000	19,232.02	50,000	137,371.55	700,000	1,923,201.85	9,000,000	24,726,880.80
8,000	21,979.45	60,000	164,845.87	800,000	2,197,944.95	10,000,000	27,474,312.00
9,000	24,726.88	70,000	192,320.19	900,000	2,472,688.08	20,000,000	54,948,624.00
10,000	27,474.31	80,000	219,794.50	1,000,000	2,747,431.20	34,420,000(1)	94,566,581.90
15,000	41,211.47	90,000	247,268.81	2,000,000	5,494,862.40		

Notes:

(1) The maximum number of Hong Kong Offer Shares you may apply for, which is 50% of the Offer Shares initially available for subscription under the Hong Kong Public Offering.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under "– A. Application for Hong Kong Offer Shares – 3. Information Required to Apply" above. If you are suspected of submitting or causing to be submitted more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) the **HKSCC EIPO** channel or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or the **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or the **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understood the terms and conditions and application procedures set out in this Prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on the Hong Kong Public Offering set out in this Prospectus and they do not apply to you or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this Prospectus and any supplement to it, and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made), and will not rely on any other information or representations;

(vi) agree that we, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our and their respective directors, supervisors, officers, employees, partners, agents, advisors and other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar, the **White Form eIPO** Service Provider and HKSCC will not be liable for any information and representations not in this Prospectus and any supplement to it;

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares nor participated in the International Offering;

(viii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes specified under "– G. Personal Data" below;

(ix) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(x) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in "– B. Publication of Results" below;

(xi) confirm that you are aware of the situations specified in "– C. Circumstances in Which You Will Not Be Allocated Hong Kong Offer Shares" below;

(xii) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xiii) agree and warrant that you have complied with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act, the Memorandum and Articles of Association, and laws of any place outside Hong Kong that apply to your application, and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus;

(xiv) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and the person(s) for whose benefit you have made the application are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xv) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Bank, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Bank or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Bank, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Bank or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xvi) warrant that the information you have provided is true and accurate;

(xvii) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you, and that you may be prosecuted for making a false declaration;

(xviii) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xix) authorize us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as may be required under the Memorandum and Articles of Association, and we and/or our agents to send any H Share certificate(s) and/or any **White Form** e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application to the address specified in your application instructions by ordinary post at your own risk, unless you are eligible to collect the H Share certificate(s) and/or refund check(s) in person;

(xx) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xxi) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving application instructions to HKSCC directly or indirectly or through the **White Form eIPO** service or by you or by anyone as your agent or by any other person; and

(xxii) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving application instructions to HKSCC and (b) you have due authority to give application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through White Form eIPO service or HKSCC EIPO channel:		
Website	The designated results of allocation website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function. The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	24 hours, from 11:00 p.m. on **Friday, January 10, 2025** to 12:00 midnight on **Thursday, January 16, 2025** (Hong Kong time).

Platform		Date/Time
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ybccb.com**, which will provide links to the above-mentioned websites of the H Share Registrar.	no later than 11:00 p.m. on **Friday, January 10, 2025** (Hong Kong time).
Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the H Share Registrar	Between 9:00 a.m. and 6:00 p.m. on **Monday, January 13, 2025 to Thursday, January 16, 2025** (Hong Kong time).

For those applying through the **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on **Thursday, January 9, 2025** (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on **Thursday, January 9, 2025** (Hong Kong time) on a 24-hour basis, and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.ybccb.com** by no later than 11:00 p.m. on **Friday, January 10, 2025** (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to "– A. Application for Hong Kong Offer Shares – 5. Multiple Applications Prohibited" above on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- our Bank or the Overall Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving banks will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be **Monday, January 13, 2025** (Hong Kong time), provided that the Global Offering has become unconditional in all respects and the right of termination described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
Dispatch/collection of H Share certificate		
For physical share certificates of equal or over 1,000,000 Offer Shares issued under your own name	Collection in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. **Time:** from 9:00 a.m. to 1:00 p.m. on **Monday, January 13, 2025** (Hong Kong time). If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

	White Form eIPO service	**HKSCC EIPO channel**
	Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.	
	Time: Friday, January 10, 2025	
Refund mechanism for surplus application monies paid by you		
Date	**Monday, January 13, 2025**	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	**White Form** e-Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund check(s) will be dispatched to the address specified in your application instructions by ordinary post at your own risk.	

Except in the event of a No. 8 typhoon warning signal or above, a black rainstorm warning signal and/or an "extreme conditions" as announced by the Hong Kong Government in the morning on **Friday, January 10, 2025** rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, our Bank shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Severe Weather Arrangements" in this section.

E. SEVERE WEATHER ARRANGEMENTS

The application lists will not open or close on **Wednesday, January 8, 2025** if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning signal; and/or
- Extreme Conditions

(collectively, "**Bad Weather Signals**")

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on **Wednesday, January 8, 2025** (Hong Kong time).

Instead they will open at 11:45 a.m. and/or close at 12:00 noon on the next business day which does not have Bad Weather Signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon (Hong Kong time).

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in "Expected Timetable" in this Prospectus, an announcement will be made and published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.ybccb.com** of the revised timetable.

If a Bad Weather Signal is hoisted on Friday, January 10, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, January 13, 2025, and for physical share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Bad Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, January 10, 2025 or on Monday, January 13, 2025.

If a Bad Weather Signal is hoisted on Monday, January 13, 2025, for physical share certificates of equal or over 1,000,000 Offer Shares issued under your own name, you may collect your share certificates from the H Share Registrar's office after the Bad Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, January 13, 2025 or on Tuesday, January 14, 2025.

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisors for details of those settlement arrangements as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Bank, the H Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. Such personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Bank and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Bank or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Bank or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Bank and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed and/or stored (by whatever means) for the following purposes:

- processing your application and refund check and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this Prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Bank's register of members;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Bank and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Bank and the H Share Registrar to discharge their obligations to applicants for and holders of the H Shares and/or regulators and/or any other purposes to which applicants for and holders of the H Shares may from time to time agree.

4. Transfer of Personal Data

Personal data held by our Bank and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Bank and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Bank's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;

- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Bank or the H Share Registrar in connection with their respective business operations;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purposes of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of Personal Data

Our Bank and the H Share Registrar will keep the personal data of the applicants for and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and Correction of Personal Data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Bank or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Bank and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Bank and H Share Registrar, at our Bank's registered address disclosed in "Corporate Information" in this Prospectus or as notified from time to time, for the attention of the joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-3, received from the Bank's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus. It is prepared and addressed to the directors of the Bank and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YIBIN CITY COMMERCIAL BANK CO., LTD AND CCB INTERNATIONAL CAPITAL LIMITED AND ICBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Yibin City Commercial Bank Co., Ltd (the "Bank") and its subsidiaries (together, the "Group") set out pages I-4 to I-207, which comprises the consolidated statements of financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, the statements of financial position of the Bank as at December 31, 2021, 2022 and 2023 and June 30, 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-207 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Bank dated December 30, 2024 (the "Prospectus") in connection with the initial listing of H Shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Bank are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Bank as at December 31, 2021, 2022 and 2023 and June 30, 2024 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2023 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Bank are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 35 to the Historical Financial Information which contains information about the dividends paid by Yibin City Commercial Bank Co., Ltd in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, December 30, 2024

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2023 (unaudited)	2024
Interest income	5	2,545,735	3,201,553	3,563,354	1,715,961	1,858,712
Interest expense	5	(1,163,508)	(1,449,279)	(1,777,843)	(853,256)	(1,030,874)
Net interest income	5	1,382,227	1,752,274	1,785,511	862,705	827,838
Fee and commission income	6	53,211	65,849	75,300	31,320	53,735
Fee and commission expense	6	(20,497)	(26,473)	(31,381)	(15,191)	(16,800)
Net fee and commission income	6	32,714	39,376	43,919	16,129	36,935
Net gains/(losses) on trading activities	7	171,240	(34,950)	291,821	183,163	129,953
Net gains on financial investments	8	11,008	86,544	10,637	555	69,804
Other operating income	9	23,653	23,768	37,871	13,389	13,423
Operating income		1,620,842	1,867,012	2,169,759	1,075,941	1,077,953
Operating expenses	10	(606,754)	(655,355)	(698,203)	(329,160)	(349,675)
Expected credit losses	12	(644,662)	(728,308)	(928,578)	(455,542)	(381,296)
Impairment losses	13	(468)	(5,820)	(411)	–	–
Profit before income tax		368,958	477,529	542,567	291,239	346,982
Income tax expense	14	(40,683)	(44,997)	(65,151)	(36,670)	(85,150)
Net profit		328,275	432,532	477,416	254,569	261,832
Net profit attribute to:						
Shareholders of the Bank		352,512	437,710	468,472	240,835	284,249
Non-controlling interests		(24,237)	(5,178)	8,944	13,734	(22,417)
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	15	0.12	0.11	0.12	0.06	0.07

	Note	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2023 (unaudited)	2024
Other comprehensive income						
Items that may be reclassified to profit or loss:						
Changes in fair value of financial assets at fair value through other comprehensive income		(53,472)	(171,471)	141,353	109,263	157,538
Credit impairment losses for financial assets at fair value through other comprehensive income		(12,155)	238,716	58,678	50,015	35,791
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income		16,406	(16,810)	(50,009)	(39,822)	(48,332)
Items that will not be reclassified to profit or loss:						
Changes in remeasurement of defined benefit plans		(1,570)	–	(520)	(490)	(1,510)
Impact on income tax on changes in remeasurement of defined benefit plans		393	–	130	123	378
Other comprehensive income for the year, net of tax		(50,398)	50,435	149,632	119,089	143,865
Total comprehensive income		277,877	482,967	627,048	373,658	405,697
Total comprehensive income attributable to:						
Shareholders of the Bank		302,114	488,145	618,104	359,924	428,114
Non-controlling interests		(24,237)	(5,178)	8,944	13,734	(22,417)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2021	2022	2023	As at June 30, 2024
ASSETS					
Cash and balances with central bank	*16*	6,871,125	5,586,497	6,576,969	5,290,109
Financial assets held under resale agreements, due from other banks and other financial institutions	*17*	4,118,065	6,527,586	5,600,613	6,506,430
Loans and advances to customers	*18*	33,965,816	42,310,927	49,374,880	52,725,591
Financial investments					
– Fair value through profit or loss	*19*	4,513,546	6,223,747	6,268,789	6,795,228
– Fair value through other comprehensive income	*20*	11,759,014	10,136,029	15,945,890	20,395,385
– Amortised cost	*21*	5,481,618	7,807,486	7,783,629	6,590,894
Property, plant and equipment	*23*	379,321	344,566	335,232	324,859
Right-of-use assets	*24*	28,531	26,442	32,174	27,682
Deferred tax assets	*25*	928,721	1,060,720	1,114,600	1,122,576
Other assets	*26*	444,615	389,277	411,268	413,902
Total assets		68,490,372	80,413,277	93,444,044	100,192,656
LIABILITIES					
Borrowings from central bank	*27*	998,983	1,880,084	2,198,040	1,964,128
Financial assets sold under repurchase agreements, due to other banks and financial institutions	*28*	6,239,841	5,150,092	6,263,086	6,687,502
Customer deposits	*29*	48,342,687	59,393,816	71,439,054	80,463,172
Debt securities issued	*30*	4,182,274	4,466,816	3,279,022	467,508
Taxes payable	*31*	108,651	253,205	237,648	146,668
Lease liabilities	*24*	21,697	16,306	26,496	23,890
Other liabilities	*32*	412,504	585,006	714,198	825,591
Total liabilities		60,306,637	71,745,325	84,157,544	90,578,459

	Note	As at December 31, 2021	2022	2023	As at June 30, 2024
EQUITY					
Share capital	*33*	3,900,000	3,900,000	3,900,000	3,900,000
Capital reserve	*33*	3,362,784	3,412,784	3,462,784	3,462,784
Other comprehensive income	*34*	(38,590)	11,845	161,477	305,342
Surplus reserve	*34*	43,203	80,322	125,912	125,912
General reserve	*34*	501,705	851,515	1,010,653	1,010,653
Retained earnings		108,128	110,159	315,403	521,652
Total equity attributable to shareholders of the Bank		7,877,230	8,366,625	8,976,229	9,326,343
Non-controlling interests		306,505	301,327	310,271	287,854
Total equity		8,183,735	8,667,952	9,286,500	9,614,197
Total liabilities and equity		68,490,372	80,413,277	93,444,044	100,192,656

STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Note	As at December 31, 2021	2022	2023	As at June 30, 2024
ASSETS					
Cash and balances with central bank	*16*	6,230,451	4,911,832	5,911,057	4,851,103
Financial assets held under resale agreements, due from other banks and other financial institutions	*17*	2,789,431	4,850,593	3,373,652	4,792,568
Loans and advances to customers	*18*	29,220,452	37,207,548	44,690,682	47,867,099
Financial investments					
– Fair value through profit or loss	*19*	4,567,876	6,258,354	6,893,736	7,356,785
– Fair value through other comprehensive income	*20*	11,759,014	10,136,029	15,945,890	20,395,385
– Amortised cost	*21*	6,530,115	8,862,220	7,861,299	6,590,894
Investment in subsidiaries	*22*	259,956	259,956	259,956	259,956
Property, plant and equipment	*23*	189,035	167,083	157,409	149,635
Right-of-use assets	*24*	16,157	12,043	14,843	12,193
Deferred tax assets	*25*	853,644	969,820	991,707	979,130
Other assets	*26*	179,067	178,088	199,927	222,821
Total assets		62,595,198	73,813,566	86,300,158	93,477,569
LIABILITIES					
Borrowings from central bank	*27*	998,983	1,738,960	2,140,386	1,944,059
Financial assets sold under repurchase agreements, due to other banks and financial institutions	*28*	6,209,149	5,135,110	6,465,211	7,561,685
Customer deposits	*29*	42,955,397	53,446,565	64,723,330	73,436,592
Debt securities issued	*30*	4,182,274	4,466,816	3,279,022	467,508
Taxes payable	*31*	101,930	247,299	216,884	138,767
Lease liabilities	*24*	10,538	3,763	10,227	9,152
Other liabilities	*32*	329,535	459,951	552,962	635,565
Total liabilities		54,787,806	65,498,464	77,388,022	84,193,328

	Note	As at December 31, 2021	2022	2023	As at June 30, 2024
EQUITY					
Share capital	*33*	3,900,000	3,900,000	3,900,000	3,900,000
Capital reserve	*33*	3,339,101	3,389,101	3,439,101	3,439,101
Other comprehensive income	*34*	(38,636)	11,835	161,477	305,498
Surplus reserve	*34*	43,203	80,323	125,912	125,912
General reserve	*34*	459,551	808,337	965,263	965,263
Retained earnings		104,173	125,506	320,383	548,467
Total equity		7,807,392	8,315,102	8,912,136	9,284,241
Total liabilities and equity		62,595,198	73,813,566	86,300,158	93,477,569

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Bank							
			Other reserves					
	Share capital *(Note 33)*	Capital reserve *(Note 33)*	Surplus reserve *(Note 34)*	General reserve *(Note 34)*	Other comprehensive income *(Note 34)*	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2021	2,822,545	2,325,398	17,096	227,397	11,808	56,031	270,802	5,731,077
Profit for the year	–	–	–	–	–	352,512	(24,237)	328,275
Other comprehensive income	–	–	–	–	(50,398)	–	–	(50,398)
Total comprehensive income for the year	–	–	–	–	(50,398)	352,512	(24,237)	277,877
Contribution of shareholders *(Note 33)*	1,077,455	937,386	–	–	–	–	59,940	2,074,781
Shareholders' deemed contribution *(Note 33)*	–	100,000	–	–	–	–	–	100,000
Transfer to surplus reserve *(Note 34)*	–	–	26,107	–	–	(26,107)	–	–
Transfer to general reserve *(Note 34)*	–	–	–	274,308	–	(274,308)	–	–
Balance at December 31, 2021	3,900,000	3,362,784	43,203	501,705	(38,590)	108,128	306,505	8,183,735
Balance at January 1, 2022	3,900,000	3,362,784	43,203	501,705	(38,590)	108,128	306,505	8,183,735
Profit for the year	–	–	–	–	–	437,710	(5,178)	432,532
Other comprehensive income	–	–	–	–	50,435	–	–	50,435
Total comprehensive income for the year	–	–	–	–	50,435	437,710	(5,178)	482,967
Shareholders' deemed contribution *(Note 33)*	–	50,000	–	–	–	–	–	50,000
Transfer to surplus reserve *(Note 34)*	–	–	37,119	–	–	(37,119)	–	–
Transfer to general reserve *(Note 34)*	–	–	–	349,810	–	(349,810)	–	–
Cash dividends *(Note 35)*	–	–	–	–	–	(48,750)	–	(48,750)
Balance at December 31, 2022	3,900,000	3,412,784	80,322	851,515	11,845	110,159	301,327	8,667,952

	Equity attributable to shareholders of the Bank							
			Other reserves					
	Share capital *(Note 33)*	Capital reserve *(Note 33)*	Surplus reserve *(Note 34)*	General reserve *(Note 34)*	Other comprehensive income *(Note 34)*	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2023	3,900,000	3,412,784	80,322	851,515	11,845	110,159	301,327	8,667,952
Profit for the year	–	–	–	–	–	468,472	8,944	477,416
Other comprehensive income	–	–	–	–	149,632	–	–	149,632
Total comprehensive income for the year	–	–	–	–	149,632	468,472	8,944	627,048
Shareholders' deemed contribution *(Note 33)*	–	50,000	–	–	–	–	–	50,000
Transfer to surplus reserve *(Note 34)*	–	–	45,590	–	–	(45,590)	–	–
Transfer to general reserve *(Note 34)*	–	–	–	159,138	–	(159,138)	–	–
Cash dividends *(Note 35)*	–	–	–	–	–	(58,500)	–	(58,500)
Balance at December 31, 2023	3,900,000	3,462,784	125,912	1,010,653	161,477	315,403	310,271	9,286,500
(Unaudited)								
Balance at January 1, 2023	3,900,000	3,412,784	80,322	851,515	11,845	110,159	301,327	8,667,952
Profit for the period	–	–	–	–	–	240,835	13,734	254,569
Other comprehensive income	–	–	–	–	119,089	–	–	119,089
Total comprehensive income for the period	–	–	–	–	119,089	240,835	13,734	373,658
Cash dividends *(Note 35)*	–	–	–	–	–	(58,500)	–	(58,500)
Balance at June 30, 2023	3,900,000	3,412,784	80,322	851,515	130,934	292,494	315,061	8,983,110

	Equity attributable to shareholders of the Bank							
			Other reserves					
	Share capital *(Note 33)*	Capital reserve *(Note 33)*	Surplus reserve *(Note 34)*	General reserve *(Note 34)*	Other comprehensive income *(Note 34)*	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2024	3,900,000	3,462,784	125,912	1,010,653	161,477	315,403	310,271	9,286,500
Profit for the period	–	–	–	–	–	284,249	(22,417)	261,832
Other comprehensive income	–	–	–	–	143,865	–	–	143,865
Total comprehensive income for the period	–	–	–	–	143,865	284,249	(22,417)	405,697
Cash dividends *(Note 35)*	–	–	–	–	–	(78,000)	–	(78,000)
Balance at June 30, 2024	3,900,000	3,462,784	125,912	1,010,653	305,342	521,652	287,854	9,614,197

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2023 (Unaudited)	2024
Cash flows from operating activities:					
Profit before income tax	368,958	477,529	542,567	291,239	346,982
Adjustments for:					
Depreciation and amortisation	77,243	76,688	70,332	36,281	31,832
Impairment losses	468	5,820	411	–	–
Expected credit losses	644,662	728,308	928,578	455,542	381,296
Net losses/(gains) on disposal of property, plant and equipment and foreclosed assets	709	(200)	(12,573)	(5,375)	(917)
Net gains arising from financial investments	(11,008)	(86,544)	(10,637)	(555)	(69,804)
Changes in fair value of financial assets – fair value through profit or loss	28,853	182,904	(105,353)	(92,823)	(52,242)
Interest income from financial instruments	(460,479)	(543,903)	(679,911)	(308,799)	(369,269)
Interest expenses on debt securities	116,858	143,906	112,701	62,639	28,485
Subtotal	766,264	984,508	846,115	438,149	296,363
Net change in operating assets:					
Net decrease/(increase) in balances with central bank	6,292	(180,756)	(561,424)	(188,924)	(410,899)
Net increase in loans and advances to customers	(7,723,990)	(8,345,111)	(7,964,462)	(4,113,785)	(3,635,806)
Net decrease/(increase) in other operating assets	271,509	(2,709,553)	122,418	(1,216,482)	(352,869)
Subtotal	(7,446,189)	(11,235,420)	(8,403,468)	(5,519,191)	(4,399,574)
Net change in operating liabilities:					
Net increase in borrowings from central bank	221,199	881,101	317,956	(91,966)	(233,912)
Net increase/(decrease) in due to banks and other financial institutions	874,585	(1,089,749)	1,112,994	1,385,208	424,416
Net increase in customer deposits	5,987,410	11,051,129	12,045,238	7,180,496	9,024,118
Net (decrease)/increase in other liabilities	(180,023)	267,308	137,969	249,973	(62,025)
Subtotal	6,903,171	11,109,789	13,614,157	8,723,711	9,152,597
Income tax paid	(40,683)	(44,997)	(65,151)	(36,670)	(85,150)
Net cash generated from operating activities	182,563	813,880	5,991,653	3,605,999	4,964,236

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Cash flows from investing activities:					
Proceeds from disposal of property and equipment, and other long-term assets	994	5,612	38,282	23,677	932
Purchase of property and equipment, and other long-term assets	(60,851)	(39,302)	(68,741)	(19,724)	(14,542)
Investment income from financial investments	460,479	543,903	679,911	308,799	369,269
Purchase of financial investment	(32,759,471)	(21,201,313)	(29,692,718)	(17,228,364)	(17,524,837)
Proceeds from sale and redemption of investments	26,039,790	20,391,053	24,050,589	10,321,499	14,378,937
Net cash used in investing activities	(6,319,059)	(300,047)	(4,992,677)	(6,594,113)	(2,790,241)
Cash flows from financing activities:					
Proceeds from issuance of shares	2,074,781	–	–	–	–
Proceeds from issuance of debt securities	4,308,742	4,380,637	3,459,505	2,505,837	–
Repayment for debt securities issued	(2,170,000)	(4,240,000)	(4,760,000)	(3,200,000)	(2,840,000)
Cash payment to be deducted against equity upon listing expenses	–	–	(18,048)	–	(3,998)
Dividends paid to shareholders	–	(46,816)	(53,013)	(3)	(1,552)
Net cash generated/(used in) from financing activities	4,213,523	93,821	(1,371,556)	(694,166)	(2,845,550)
Net (decrease)/increase in cash and cash equivalents	(1,922,973)	607,654	(372,580)	(3,682,280)	(671,555)
Cash and cash equivalents at the beginning of the year/period	9,537,099	7,614,126	8,221,780	8,221,780	7,849,200
Cash and cash equivalents at the end of the year/period ***(Note 39)***	7,614,126	8,221,780	7,849,200	4,539,500	7,177,645

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Yibin City Commercial Bank Co., Ltd (宜賓市商業銀行股份有限公司) is a joint-stock city commercial bank headquartered in Yibin City, Sichuan Province, the PRC, and was incorporated on December 27, 2006. The Bank's predecessor was Yibin City Credit Cooperatives, which was established in 2000. As approved by the former China Banking and Insurance Regulatory Commission ("CBIRC") Sichuan Office, the Bank was jointly initiated and established by the shareholders of Yibin City Credit Cooperatives (including 44 non-individual shareholders and 386 individual shareholders). At the time of establishment, the registered capital of the Bank was RMB106,879,775, divided into 106,879,775 Domestic Unlisted Shares with a nominal value of RMB1.00 each.

The approved business scope of the Bank and its subsidiaries, Yibin Xingyi Rural Bank Co., Ltd. (宜賓興宜村鎮銀行有限責任公司, "Xingyi Bank") and Neijiang Xinglong Rural Bank Co., Ltd. (內江興隆村鎮銀行股份有限公司, "Xinglong Bank") (collectively referred to as the "Group") consists of deposit taking; granting of short-term, medium-term and long-term loans; handling domestic and overseas settlement; handling bill acceptance and discounting; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds; trading of government bonds; engaging in inter-bank placement; bank cards business; providing letter of credit services and guarantee; acting as agent on inward and outward payments, acting as insurance agent; providing safe-box service, and other businesses as approved by the banking regulatory authorities and other regulatory authorities (certain projects are subject to additional approval of authorities).

2 SUMMARY OF ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured in accordance with the relevant policy.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to Historical Financial information are presented in Note 4.

2.2 Application of new and amendments to IFRS Accounting Standards

The principal accounting policies adopted in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to relevant periods presented unless otherwise stated. The initial adoption of new and revised standards throughout the Track Record Period does not result in any material impact on the financial information.

New and amendments standards issued but not yet effective

At the date of this report, the Group has not adopted the following new and amendments to IFRS Accounting Standards which have been issued and are not yet effective:

		Valid date
IAS 21 Amendments	Lack of Exchangeability	1 January 2025
IFRS 9 and IFRS 7 Amendments	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

IAS 21 Amendments

IAS 21 Amendments clarify the entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency. The entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. And the entity shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

IFRS 9 and IFRS 7 Amendments

IFRS 9 and IFRS 7 Amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

IFRS 18

IFRS 18 is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 19

IFRS 19 specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in this Standard. If a subsidiary does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards, it may elect to apply this Standard in its consolidated, separate or individual financial statements at the end of the reporting period.

IFRS 10 and IAS 28 Amendments

IFRS 10 and IAS 28 Amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The directors of the Bank anticipate that the application of these new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information in the foreseeable future.

2.3 Material accounting policies

2.3.1 Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Where the cost of a business combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of a business combination is less than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. For the structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. The Group considers their contractual rights and obligations, the variable returns from the structured entities, the liquidity and other support and the roles acts as a principal or an agent. The judgement is further detailed in Note 4(d).

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Group, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 2.3.9.

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Group makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Group.

Significant intra-group balances and transactions, and any significant profits or losses arising from intra-group transactions are eliminated in full when preparing the consolidated financial statements.

2.3.2 Interest income and expense

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit or loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortised cost, presented as "interest income" and interest expenses" respectively. For specific accounting policies, please refer to the Note 2.3.4 (d) Subsequent measurement of financial instruments for related accounting policies.

2.3.3 Fee and commission income

Fee and commission income is recognised when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. For the performance obligations satisfied at a point in time, the Group recognises revenue when control is passed to the customer at a certain point in time. For the performance obligations satisfied over time, the Group recognises revenue according to the progress toward satisfaction of the obligation over the time, including wealth management agency service fee and settlement and agency services fee, etc.

2.3.4 Financial instruments

(a) Initial recognition, classification and measurement of financial instruments

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

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

(i) Amortised cost ("AC");

(ii) Fair value through other comprehensive income ("FVOCI"); or

(iii) Fair value through profit or loss ("FVTPL")

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of 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.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

(i) AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost.

(ii) FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI.

(iii) FVTPL: Assets that do not meet the criteria for AC or FVOCI are measured at FVTPL.

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity instruments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI.

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities carried at amortised cost on initial recognition. Financial liabilities at FVTPL are applied to derivatives and financial liabilities held for trading.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expenses incurred on the financial liability.

(b) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

(c) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

(d) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on their classification:

(1) Amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

(i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost; and

(ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(2) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established.

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

A gain or loss on a debt investment or an equity investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within "Net (losses)/gains on trading activities" in the period in which it arises, unless it arises from Debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in "Net (losses)/gains on financial investments".

(4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are measured at fair value with all gains or losses recognised in the profit or loss.

(e) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and exposures arising from some off-balance sheet financial arrangements such as bank acceptances and letters of guarantee.

ECL refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows discounted by the original effective interest rate that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i.e., the present value of all cash shortfalls (among them, for the purchased or originated credit-impaired financial assets, discount shall be based on the credit-adjusted effective interest rate of the financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

The description of inputs, assumptions and estimation techniques used in measuring the ECL is presented in Note 3.1.4.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognised in other comprehensive income and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognised in profit or loss. For POCI financial assets, at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition.

(f) Modification of loans

The Group will renegotiate or modify customer loan contracts due to certain special circumstances at times, which will in turn lead to changes in contract cash flows. In such cases, the Group will assess if there is a substantial change in the modified contractual terms. In making the assessment, factors need to be considered include:

- Where a modification of contract occurs when the borrower is suffering from financial difficulties, whether the modification only reduces the contract cash flows to the amount that is expected to be repaid by the borrower;
- If there's any newly added substantial term, for example, a term in regard to right to profits/equity returns is newly added, resulting in a substantial change in the risk characteristics of the contract;
- The loan term is significantly extended in the absence of financial difficulties for the borrower;
- Material change happens to the loan interest rate;
- New collateral and other credit enhancements dramatically change the level of loan credit risk.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(g) Derecognition

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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit and loss, expect for those investments in equity instruments designated as FVOCI.

Financial liabilities are derecognised when the related obligation is discharged, is canceled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

(h) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has the legal right to offset the recognised amount, and the legal right is enforceable; (ii) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously. The right of offset shall not depend on future events. In ordinary course of business between the Group and all the counterparties, or when breach of contract, insolvency or bankruptcy occurs, the Group has the right to execute such legal right.

(i) Repurchase agreements and resale agreement

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognised. They continue to be recorded as investments classified as financial investments at amortised cost or financial investments at fair value through other comprehensive income as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognised are presented in Note 37 – Financial guarantees and credit related commitments, other commitments and contingent liabilities.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognised in the consolidated financial statements (Note 37 – Financial guarantees and credit related commitments, other commitments and contingent liabilities).

The difference between the purchase and sale price is recognised as interest expense or income in the consolidated statements of comprehensive income over the term of the agreements using the effective interest method.

(j) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated comprehensive income statement.

2.3.5 Property, plant and equipment

The Group's property, plant and equipment mainly comprise buildings, motor vehicles, electronic equipment, office equipment and construction in progress.

All properties, plants and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and present value of expected future cash flows.

Buildings comprise primarily branch office premises and office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, motor vehicles, electronic equipment and office equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Depreciation rate
Buildings	30 years	0.00%	3.33%
Motor vehicles	5 years	0.00%	20.00%
Electronic equipment	5 years	0.00%	20.00%
Office equipment	5 years	0.00%	20.00%

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use and begin to account for depreciation.

When a fixed asset is disposed or cannot generate economic benefits, it should be derecognised. Gains or losses caused by derecognition (disposal income minus its book value) are accounted for profit or loss of the current period.

2.3.6 ***Investment properties***

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment properties are initially measured at cost, including costs that are directly attributable to the properties at the time of acquisition. The Group adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives and depreciation rate (amortisation rate) are as follows:

Type of assets	Estimated useful lives	Depreciation rate
Buildings	30 years	3.33%

As at the balance sheet date, the Group reviews investment properties item by item. If the carrying amount of an asset is higher than the estimated recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is recognised at the higher of the fair value less cost of sales and value in use.

2.3.7 *Leases*

Lease refers to the contract that the lessor transfers the rights of use to the lessee in a certain period of time.

As a lessee

At the commencement date, the Group shall recognise the right-of-use asset and the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments and proceeds paid when the lessee is reasonably certain to exercise the option to purchase or termination options. Variable rent calculated at a certain proportion of the sales amount is not included in the lease payments and is recognised in profit or loss for the current period when it is incurred.

The Group's right-of-use assets include buildings and equipment held under lease. Right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities, lease payments paid at or before the commencement date, initial direct cost, etc., less the any lease incentives. When the Group can reasonably determine that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over its estimated useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life. The carrying amounts of property and equipment are reduced to the recoverable amounts when the recoverable amounts are below the carrying amounts of the right-of-use asset.

For a short-term lease that has a lease term of 12 months or less, the Group selects not to recognise right-of-use assets and lease liabilities and the relevant rental expenses are recognised in profit or loss for the current period or relevant cost of assets on a straight-line basis over each period of the lease.

As a lessor

The Group leases out self-owned buildings, machinery and equipment and motor vehicles, the rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Variable rent calculated at a certain proportion of the sales amount is recognised in rental income when it is incurred.

2.3.8 *Foreclosed assets*

The Group initially recognises the foreclosed financial assets at fair value. Non-financial foreclosed assets are initially recognised at the fair value of the rights given up by the Group and other costs such as taxes directly attributable to the asset.

When a debtor pays off the debts with multiple assets or in form of restructuring arrangement, the Group firstly recognises and measures the foreclosed financial assets and restructured rights according to provision illustrated in Note 2.3.4 (a) Initial recognition, classification and measurement of financial instruments. The net amount, of the fair value of the rights given up by the Group deducted the initial amount recognised for the transferred financial assets and restructured rights, should be distributed in accordance with the proportion of the fair value of each non-financial asset. The distributed amount should be recognised as the initial book value of each non-financial foreclosed assets.

The difference between the fair value and book value of the rights given up by the Group is recorded in profit or loss.

2.3.9 Impairment of assets

Asset impairment losses other than deferred tax assets and financial assets within the scope of IFRS 9 are determined as follows:

At the end of the reporting period or whenever there is an indication that the assets are impaired, the Group reviews the carrying amounts of its tangible assets with finite useful lives and investment in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. The recoverable amount is the higher between the fair value minus the disposal cost and the present value of the expected future cash flow of the asset. Asset impairment loss is calculated and recognised on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined according to the asset group to which the asset belongs. Asset group is the smallest asset portfolio that can generate cash inflow independently.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

2.3.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the risks specific to the obligation, the uncertainties and the time value of money.

2.3.11 *Current and deferred income taxes*

The tax expense for the period comprises current and deferred income tax. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or equity.

(a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authorities.

(b) Deferred tax

Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. As at the consolidated financial statements date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related deferred tax asset is realised or the deferred tax liability is settled pursuant to tax laws.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Deferred tax liabilities are the amounts of income tax payable in respect of taxable temporary differences, which are measured at the amount expected to be paid to the tax authorities in the future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.3.12 *Employee benefits*

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, retirement benefits and early retirement benefits.

(a) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of comprehensive income.

(b) Retirement benefits

The Group's retirement benefits include defined contribution plans and defined benefit plans. Under defined contribution plans, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. All other retirement plans are classified as defined benefit plans.

The Group's retirement benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, annuity scheme and supplementary retirement benefits, among which, social welfare program and annuity scheme are defined contribution plans and supplementary retirement benefits is defined benefit plan.

Basic pensions

Basic pensions refers to payments related to government mandated social welfare programs, including social insurance, medical insurance, housing funds and other social welfare contributions. Contributions are recognised in the consolidated statement of comprehensive income for the period in which the related payment obligation is incurred.

Annuity Scheme

In addition to the statutory pension schemes, the Group's employees also participate in the annuity scheme set up by the Group under Annuity Scheme of Yibin City Commercial Bank Co., Ltd (the "Annuity Scheme") in accordance with the state's corporate annuity regulations. The annuity contributions are paid by the Group in proportion to its employees' gross salaries, and are expensed in the consolidated statement of comprehensive income of the current period. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

(c) Supplementary retirement benefit

The supplementary retirement benefits include supplementary pensions and supplementary medical benefits. The retirement benefits plan attributed to defined benefit plan, and is usually determined by one or several factors such as age, length of service and compensation.

The liabilities recognised in relation to the above defined benefit pension plan in the consolidated statement of financial position are the present values of defined benefit liabilities at the end of reporting period. The present value of defined benefit liability is based on the expected future cash outflow which is discounted by the government debt interest rate similar to employee benefit liability. The estimate of future cash outflows is affected by various assumed conditions, including discount rate, annual growth rate of supplemental pension, annual growth rates of early-retiree benefits and other factors. Gains and losses adjusted in accordance with historical experience and assumed movements are included in other comprehensive income when incurred.

(d) Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits in IAS 19. The liability is recognised for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated statement of comprehensive income. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in the consolidated income statement when incurred.

2.3.13 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as a provision.

2.3.14 *Fiduciary activities*

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the financial statements where the Group acts in a fiduciary capacity such as nominee, trustee, custodian or agent.

The Group grants entrusted loans on behalf of third-party lenders. The Group grants loans to borrowers, as agent, at the direction of the third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans including their purposes, amounts, interest rates, and repayment schedule. The Group charges a commission related to its activities in connection with the entrusted loans which are recognised ratably over the period the service is provided. The risk of loss is borne by the third-party lenders, thus the principle amounts of the entrusted loans are not recorded on the balance sheet.

2.3.15 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the senior management team represented by the president as its chief operating decision maker.

An operating segment is a component of the Group with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete financial statements for the component is available to the Group. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are included in determining segment performance.

The classification of reporting segments are based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scales.

The Group has the following segments: corporate banking, retail banking, financial markets and unallocated.

2.4 Other accounting policies

2.4.1 Dividend income

Dividends are recognised when the right to receive payment is established.

2.4.2 Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognised as monetary assets. Government grants are measured at fair value when recognised as non-monetary assets.

2.4.3 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition and unrestricted balances including: cash, balances with central bank and amounts due from banks and other financial institutions.

2.4.4 Share capital

Share capital comprises ordinary shares issued.

2.4.5 Dividend

Dividends on ordinary shares are recognised in the period in which they are declared and approved by the Bank's shareholders.

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities expose to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks are core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is the highest authority for the Group's overall risk management. It examines and approves strategy and measures of risk management and monitors risk management and internal control system. It assesses overall risk based on monitoring information and the risk report of senior management. The senior management of the Group is responsible for overall risk management and internal control, formulating and implementing risk management procedures. The Risk Management Department and the Business Development Department lead the formulation of the Group's transaction books interest rate risk management while the Financial Market Department is responsible for the implementation of interest rate risk management. In addition, the Internal Audit Department is responsible for independent review of risk management and control environment.

The Group is subject to a number of financial risks, primarily including credit risk, market risk, foreign exchange risk and liquidity risk.

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

3.1 Credit risk

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Changes in the economy or those in credit quality of a particular industry segment or concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from loans and advances to customers, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as bank acceptances and letters of guarantee.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The Group implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. When the Group determines that a loan has no reasonable prospect of recovery after the Group has taken all necessary actions and necessary proceedings, the loan is written off. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss captured within impairment losses on the financial assets.

3.1.1 Credit risk measurement

(a) Credit business

In accordance with the Guidelines for the Classification of Loan Risks issued by the former CBIRC, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as impaired loans and advances. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

The five categories into which the Group classifies its loans and advances to customers are set out below:

Pass: The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

Special mention: The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

Sub-standard: The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After exhausting all possible means of recovery or necessary legal procedures, there is still no recovery of principal and interests, or the recovery is negligible.

Risk Management Department coordinates the classification of loans. The classification of loans is performed monthly and adjusted timely. The classification of loans is monitored through credit management system.

(b) Financial market business

The Group manages the credit quality of deposits with banks and other financial institutions considering the size, financial position and the external credit rating of banks and financial institutions. The head office monitors and reviews the credit risk of due from banks and other financial institutions by reviewing counterparties periodically. Limits are placed on different counterparties. For debt securities and other financial market business, the Group manages the credit risk exposures by setting limits to the external credit ratings of its investments.

3.1.2 Risk limit control and mitigation policies

(a) Credit business

The Group takes the same credit risk management control procedure for on and off-balance sheet risk exposures. The risk control procedure of the Group's credit risk includes the following: credit policy stipulating, lending investigation, risk assessment, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Group has established a mechanism of risk warning for credit business, mainly including single customer credit authorisation risk and systematic risk. Unified credit authorisation management is implemented for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Group at any time before it achieved new credit limit.

The Group takes action to strengthen controls over credit risk in relation to and related party customer. The committee of related party transactions is set up under the Board of Directors to manage controls on related party transaction.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is common industry practice.

Except for few customers with excellent credit quality, the Group requires the borrowers provide collateral for loans. The type of collateral mainly includes collateral, pledge and guarantee. The Group sets up internal valuation team or employs qualified property appraisal companies to evaluate the collateral. The required collateral type and amount is determined by credit risk of counterparty or customers.

(b) Financial market business

Financial inter-bank division centralises control over financial market business with hierarchical authorisation from department heads to the president for different business types.

The Group invests financial products with hierarchical authorisation under the guidelines of Board of Directors. The Group sets stop-loss point based on analysis of trend of macroeconomic situation and monetary policy.

The traders regularly review and monitor the changes of market interest and report the market value of financial products to Risk Management Department and Risk Management Committee. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the relevant business department responsible for security investment will report to Risk Management Committee. Risk Management Committee convenes a meeting to propose a written processing decision. The debt trader will react according to the decision.

3.1.3 Collateral and guarantee

The Group has a range of policies and practices intended to mitigate credit risk. The most common practice is to accept collaterals. The Group implements guidelines on the acceptability of specific classes of collateral. The maximum loan-to-value ratio origination is determined by the Business Development Department. The follow-up management of the collateral is carried out by the relevant business management department. The principal types of collateral for corporate loans and personal loans are as follows:

Type of Collateral	**Maximum loan-to-value ratio**
Collaterals	
Real estate – residential	70.00%
Real estate – commercial	50.00%
Machineries	50.00%
Mining rights	50.00%
Means of transportation	30.00%

Type of Collateral	Maximum loan-to-value ratio
Pledges	
Bank acceptance bills	100.00%
Wealth management products	90.00%-100.00%
Certificates of deposit	90.00%
Treasury bonds	90.00%
Inventories	50.00%

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised according to the nature of the loans.

For loans guaranteed by a third party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

*3.1.4 **Policies for ECL allowance***

The Group divides financial instruments into three stages according to IFRS 9. The key definition of the three stages are summarised below:

Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.

Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.

Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of the ECL on the financial instrument within the entire remaining lifetime period.

Various factors, such as five-category classification, number of overdue days, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable, except those stage 3 loans are not allowed to be transferred back to stage 1 directly and need a six-month observation period to be allowed to back to stage 2 for corporate portfolios. Financial instruments in the stage 1 should be downgraded into stage 2 in case of significant deterioration of credit risk.

(a) Financial assets with significant increase in credit risk

When triggering one or more of the following quantitative, qualitative, or upper bound indicators, the Group considers that the credit risk of financial instruments has increased significantly:

- The debtor breaches the contract and the principal or interest of the contract was overdue for more than 30 days, but less than 90 days.

- The debtors exist on external market alert lists.

- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for not more than 30 days.

- There are significant changes in the economic, technical or legal environment in which the debtor is located in the current period or in the near future, and the Group will be affected adversely.

- The debtor's external credit rating (bond rating or issuer rating) migrates to a rating lower than AA, but higher than CCC, comparing with its initial recognition date.

- The five-category classification of the financial asset migrates to special mention.

(b) Definition of default and loss incurred

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset as having defaulted, and the criteria are consistent with the definition of the loss incurred:

- The debtor breached the contract and the principal or interest of the contract was overdue for more than 90 days.

- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for more than 30 days.

- The five-category classification of the financial asset is sub-standard, doubtful or loss.

- The debtor's external credit rating (issuer rating) is lower than the CCC (inclusive) investment grade, or a default has occurred, comparing with its initial recognition date.

- The debtor is likely to go bankrupt or carry out other financial restructuring.

- The issuer of financial instruments held by the Group has serious financial difficulties.

- The Group has made concessions to the debtor in financial difficulty for economic or legal reasons.

- The market of related financial instruments is deserted due to the debtor's financial difficulty.

The above standards apply to all financial instruments of the Group; the definition of default is consistently applied to the calculation of expected credit losses of the Group, including default probability (PD), exposure at default (EAD) and loss given default (LGD) modeling.

When a financial instrument does not meet any definition of default for six consecutive months, the Group no longer regards it as an asset in default (reversal). According to the relevant analysis, the Group has considered the possibility that the financial instruments will be in default again from the reversal under various circumstances and decided to adopt the six-month observation period.

(c) Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques

Depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Group will measure the loss provision for different assets by expected credit losses for 12 months or entire life of the asset. Expected credit loss is the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD) after term adjustment and discount. Related definitions are as follows:

Probability of default (PD) refers to the possibility that the borrower will not be able to fulfil his obligations in the next 12 months or throughout the remaining period of existence. The Group builds the migration matrix based on historical data to calculate the 12-month probability of default, and derives the default probability of the entire duration from the 12-month probability of default through the Markov chain model.

Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty and the availability of collateral or other credit support.

Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the remaining life.

The Group determines the expected credit losses by forecasting the probability of default, loss given default and exposure at default of single debt. The Group multiplies the three items and adjusts their duration (by assuming there is no early repayment or breach of contract). This approach can effectively calculate the expected credit losses for future periods, and then discount the results of each period to the report date and add up. The discount rate used in the calculation of expected credit loss is the real interest rate or its approximate value.

(d) Establishment of impairment model

The Group conducts forecasts regularly to establish three economic scenarios, optimistic, basic, and pessimistic. Basic scenario is defined as the most expected situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than basic scenario respectively.

The impairment model is established through a top-down approach. The Group has developed several corporate entity and retail impairment models, including regression models for different macro-economic indicators such as GDP, CPI, Social financing scale, M2, unemployment rate etc. and uses the outcome of WILSON model and historical default information to make 'forward-looking' adjustments to probability of default to achieve "forward-looking" calculation of provision.

(i) Forward-looking information included in ECL model

ECL calculation involves forward-looking information. The Group identifies the key economic indicators affecting the credit risk and ECL of each asset portfolio, through historical data analysis.

These economic indicators and their impact on PD differ for different financial instruments, which involve expert judgments. The Group annually makes forecasts on these economic indicators ("basic economic scenarios") and provides the best economic forecasts for the next year. The Group believes that the economic indicators from one year later to the end of the maturity of financial instruments tend to remain consistent and stable, and thus keep using the one year forecast till the end of the maturity. The impact of these economic variables on the PD has been determined by performing WILSON model analysis to understand the impact of historical changes on PD, EAD and LGD.

The Group reviews the key parameters and assumptions used in the ECL calculation annually, taking into account external economic developments, industry changes and regional risks, and makes necessary updates and adjustments.

The Group sets other possible scenarios and scenario weightings according to external data. Based on the analysis for each major portfolio and the number of scenarios, the Group keeps their non-linear characteristics. The Group reassesses the number and characteristics of scenarios semi-annually. On December 31, 2021, 2022, 2023 and June 30, 2024, the Group's three scenarios (basic, optimistic and pessimistic) can properly reflect the non-linear characteristics of each portfolio. The Group determines scenario weightings through statistical analysis and expert judgment, and also considers the possible range of outcomes represented by scenarios. The Group recognises the 12-month or lifetime ECL for financial instruments in stage 1, 2, and 3. The Group measures the weighted-average ECL allowance for 12-month (stage 1) and weighted-average ECL for life time (stage 2 and stage 3), which is calculated by multiplying the ECL under each scenario by their weightings respectively, rather than by weighting the parameters. On December 31, 2021, 2022, 2023 and June 30, 2024, the weightings allocated to each economic scenario were 50% basic, 30% optimism and 20% pessimism.

(ii) Hypothesis on Economic Indicators

Similar to other economic predictions, there is high inherent uncertainty in the prediction and estimation of probability. Therefore, the actual results may turn out to be significantly different from the prediction. The Group believes that these predictions reflect the best estimation of possible outcomes, and the chosen scenarios can represent possible scenarios appropriately.

As at December 31, 2021, the Group has assessed and forecasted the key macro-economic indicators for 2022 are as follows:

Indicator	**Applicable range for respective future periods**
Growth Rate of Money Supply, M1	3.52%-5.28%
Growth Rate of Industrial Income	7.18%-10.77%
Growth Rate of Consumer Price Index for Month	1.48%-2.22%

As at December 31, 2022, the Group has assessed and forecasted the key macro-economic indicators for 2023 are as follows:

Indicator	**Applicable range for respective future periods**
Growth Rate of Money Supply, M1	5.24%-7.86%
Growth Rate of Industrial Income	7.18%-10.77%
Growth Rate of Social Financing Scale	8.19%-12.29%

As at December 31, 2023, the Group has assessed and forecasted the key macro-economic indicators for 2024 are as follows:

Indicator	**Applicable range for respective future periods**
Growth Rate of Money Supply, M2	9.2%-10.2%
Growth Rate of Industrial Income	0.5%-2.0%
Growth Rate of Social Financing Scale	8.6%-9.2%

As at June 30, 2023, the Group has assessed and forecasted the key macro-economic indicators for the following year are as follows:

Indicator	**Applicable range for respective future periods**
Growth Rate of Money Supply, M1	4.40%-6.60%
Growth Rate of Industrial Income	0.40%-0.60%
Growth Rate of Social Financing Scale	7.60%-11.40%

As at June 30, 2024, the Group optimized the key macro-economic indicators of the Expected Credit Loss model. The Group has assessed and forecasted the more key macro-economic indicators for the following year are as follows:

Indicator	**Applicable range for respective future periods**
Growth Rate of Money Supply, M1	0.50%-2.00%
Growth Rate of Social Financing Scale	8.50%-9.50%
Financial institutions: balance of all deposits	8.90%-9.40%
Consumption Expenditure per Capita: Urban	7.50%-8.50%
Money multiplier	7.00%-7.80%
Total Retail Sales of Consumer Goods: accumulated month-on-month	4.50%-8.00%

(iii) Sensitivity Analysis

ECLs are sensitive to the parameters used in the model, the forward-looking macroeconomic variables, the weighted probabilities of three scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the determination of significant increase in credit risk and the measurement of ECL. The Group conducts sensitivity analysis on the core economic indicators used in forward-looking measurement. As at June 30, 2024, when the predicted value of the core economic indicators in the main scenarios increase or decrease by 10%, the respective decrease or increase in loan loss allowance will not exceed 10%.

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Assets				
Balances with central bank	6,753,922	5,448,409	6,426,439	5,156,358
Financial assets held under resale agreements, due from other banks and other financial institutions	4,118,065	6,527,586	5,600,613	6,506,430
Loans and advances to customers				
– Stage 1	32,773,164	40,796,264	47,952,531	51,066,518
– Stage 2	828,047	1,083,760	999,710	1,128,052
– Stage 3	364,605	430,903	422,639	531,021
Financial assets at fair value through profit or loss	4,513,546	5,990,498	5,452,677	5,576,774
Financial investments at fair value through other comprehensive income	11,759,014	10,136,029	15,945,890	20,395,385
Financial investments at amortised cost	5,481,618	7,807,486	7,783,629	6,590,894
Other financial assets	117,763	79,050	93,573	100,931
Subtotal	66,709,744	78,299,985	90,677,701	97,052,363

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Credit risk exposures relating to off-balance sheet items are as follows:				
Bank acceptance	7,608,620	11,412,234	6,510,671	7,477,346
Letters of guarantee	20,322	79,160	50,293	71,494
Subtotal	7,628,942	11,491,394	6,560,964	7,548,840
Total	74,338,686	89,791,379	97,238,665	104,601,203

The above table represents a base case scenario of the maximum credit risk exposure to the Group at December 31, 2021, 2022, 2023 and June 30, 2024, without taking account of any related collateral or other credit enhancements. For on-balance sheet assets, the exposures above are based on net carrying amounts as reported in the statement of financial position. As shown above, as at December 31, 2021, 2022, 2023 and June 30, 2024, the total on-balance sheet exposure derived from loans and advances to customers were 50.92%, 54.04%, 54.47% and 54.33%, respectively. The management is confident in its ability to continue to control and maintain minimal exposure to credit risk to the Group from its loans and advances to customers based on the followings:

- As at December 31, 2021, 2022, 2023 and June 30, 2024, the loans and advances to customers portfolio was considered to be neither overdue nor impaired are 96.31%, 97.33%, 97.04% and 96.97%;

- The amount of stage 3 loans constituted 2.37%, 1.96%, 2.57% and 2.61% of the total loan amount as at December 31, 2021, 2022, 2023 and June 30, 2024 respectively.

3.1.6 Loans and advances to customers

Loans and advances to customers are summarised as follows:

	As at December 31, 2021			
	Corporate loans	Personal loans	Discounted and rediscounted bills	Total
Stage 1	26,558,021	5,433,944	1,682,208	33,674,173
Stage 2	926,258	119,462	–	1,045,720
Stage 3	667,366	173,675	–	841,041
Total	28,151,645	5,727,081	1,682,208	35,560,934
Less: ECL allowance *(i)*	(1,462,645)	(132,473)	(2,380)	(1,595,118)
Net amount	26,689,000	5,594,608	1,682,208	33,965,816

	As at December 31, 2022			
	Corporate loans	Personal loans	Discounted and rediscounted bills	Total
Stage 1	32,904,712	4,703,838	4,168,477	41,777,027
Stage 2	1,217,919	102,945	–	1,320,864
Stage 3	642,282	219,334	–	861,616
Total	34,764,913	5,026,117	4,168,477	43,959,507
Less: ECL allowance *(i)*	(1,502,316)	(146,264)	(3,551)	(1,648,580)
Net amount	33,262,597	4,879,853	4,168,477	42,310,927

	As at December 31, 2023			
	Corporate loans	Personal loans	Discounted and rediscounted bills	Total
Stage 1	37,187,363	4,615,483	7,312,177	49,115,023
Stage 2	1,208,922	90,888	–	1,299,810
Stage 3	1,098,294	230,070	–	1,328,364
Total	39,494,579	4,936,441	7,312,177	51,743,197
Less: ECL allowance *(i)*	(2,186,842)	(181,475)	(6,055)	(2,368,317)
Net amount	37,307,737	4,754,966	7,312,177	49,374,880

	As at June 30, 2024			
	Corporate loans	Personal loans	Discounted and rediscounted bills	Total
Stage 1	39,629,955	4,634,832	8,003,801	52,268,588
Stage 2	1,329,458	94,883	–	1,424,341
Stage 3	1,240,126	199,795	–	1,439,921
Total	42,199,539	4,929,510	8,003,801	55,132,850
Less: ECL allowance *(i)*	(2,240,974)	(166,285)	(8,849)	(2,407,259)
Net amount	39,958,565	4,763,225	8,003,801	52,725,591

(i) The discounted and rediscounted bills were measured at fair value through other comprehensive income. The ECL allowance of discounted and rediscounted bills were credited to other comprehensive income.

(a) Overdue days of stage-1 and stage-2 loans and advances to customers

As at December 31, 2021

	Stage classification		
	Stage 1	**Stage 2**	**Total**
Corporate loans	102,912	197,422	300,334
Personal loans	87,576	81,546	169,122
Total	190,488	278,968	469,456

	As at December 31, 2021				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Corporate loans					
– Stage 1	102,912	–	–	–	102,912
– Stage 2	1,320	100,151	95,951	–	197,422
Total	104,232	100,151	95,951	–	300,334

	As at December 31, 2021				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Personal loans					
– Stage 1	87,576	–	–	–	87,576
– Stage 2	3,051	49,197	29,298	–	81,546
Total	90,627	49,197	29,298	–	169,122

As at December 31, 2022

	Stage classification		
	Stage 1	**Stage 2**	**Total**
Corporate loans	29,918	190,175	220,093
Personal loans	35,089	57,082	92,171
Total	65,007	247,257	312,264

	As at December 31, 2022				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Corporate loans					
– Stage 1	29,918	–	–	–	29,918
– Stage 2	34,307	117,721	38,147	–	190,175
Total	64,225	117,721	38,147	–	220,093

	As at December 31, 2022				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Personal loans					
– Stage 1	35,089	–	–	–	35,089
– Stage 2	17,141	19,484	20,457	–	57,082
Total	52,230	19,484	20,457	–	92,171

As at December 31, 2023

	Stage classification		
	Stage 1	Stage 2	Total
Corporate loans	31,366	73,947	105,313
Personal loans	41,621	54,050	95,671
Total	72,987	127,997	200,984

	As at December 31, 2023				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Corporate loans					
– Stage 1	31,366	–	–	–	31,366
– Stage 2	26,300	25,488	22,159	–	73,947
Total	57,666	25,488	22,159	–	105,313

	As at December 31, 2023				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Personal loans					
– Stage 1	41,621	–	–	–	41,621
– Stage 2	10,718	24,338	18,994	–	54,050
Total	52,339	24,338	18,994	–	95,671

As at June 30, 2024

	Stage classification		
	Stage 1	**Stage 2**	**Total**
Corporate loans	30,059	111,832	141,891
Personal loans	24,410	62,891	87,301
Total	54,469	174,723	229,192

	As at June 30, 2024				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Corporate loans					
– Stage 1	30,059	–	–	–	30,059
– Stage 2	3,035	55,677	53,120	–	111,832
Total	33,094	55,677	53,120	–	141,891

	As at June 30, 2024				
	Overdue up to 30 days	**Overdue 30–60 days**	**Overdue 60–90 days**	**Overdue over 90 days**	**Total**
Personal loans					
– Stage 1	24,410	–	–	–	24,410
– Stage 2	24,306	21,321	17,264	–	62,891
Total	48,716	21,321	17,264	–	87,301

(b) Loans and advances to customers that are impaired/stage-3 loans and advances to customers

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Corporate loans	666,777	627,102	1,016,195	1,208,366
Personal loans	173,317	219,267	229,925	199,699
Total	840,094	846,369	1,246,120	1,408,065

(c) Restructured loans and advances to customers

Restructuring activities include approving debtor repayment plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under regular review.

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Restructured loans and advances to customers	84,908	71,542	32,389	42,560

(d) Overdue loans and advances to customers by security and overdue date

	As at December 31, 2021				
	Overdue up to 90 days	**Overdue 90 days–1 year**	**Overdue 1–3 years**	**Overdue over 3 years**	**Total**
Collateralised loans	339,294	84,079	172,952	145,451	741,776
Pledged loans	8,395	1,650	3,193	–	13,238
Guaranteed loans	82,569	25,693	99,668	37,235	245,165
Unsecured loans	71,518	1,103	200,856	530	274,007
Total	501,776	112,525	476,669	183,216	1,274,186

	As at December 31, 2022				
	Overdue up to 90 days	**Overdue 90 days– 1 year**	**Overdue 1–3 years**	**Overdue over 3 years**	**Total**
Collateralised loans	222,105	81,745	99,290	164,351	567,491
Pledged loans	26,130	–	–	–	26,130
Guaranteed loans	114,888	30,665	80,535	29,254	255,342
Unsecured loans	14,717	16,613	1,407	684	33,421
Total	377,840	129,023	181,232	194,289	882,384

	As at December 31, 2023				
	Overdue up to 90 days	**Overdue 90 days– 1 year**	**Overdue 1–3 years**	**Overdue over 3 years**	**Total**
Collateralised loans	102,007	219,097	138,056	166,926	626,086
Pledged loans	17,850	9,000	–	–	26,850
Guaranteed loans	90,515	29,107	37,762	39,097	196,481
Unsecured loans	12,056	6,338	15,602	762	34,758
Total	222,428	263,542	191,420	206,785	884,175

	As at June 30, 2024				
	Overdue up to 90 days	**Overdue 90 days– 1 year**	**Overdue 1–3 years**	**Overdue over 3 years**	**Total**
Collateralised loans	320,171	105,439	248,126	146,981	820,717
Pledged loans	6,300	2,791	5,700	–	14,791
Guaranteed loans	257,494	214,346	23,258	32,334	527,432
Unsecured loans	15,282	4,298	7,532	582	27,694
Total	599,247	326,874	284,616	179,897	1,390,634

(e) Analysis of loans and advances to customers by industry

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Corporate loans								
Wholesale and retail trade	6,426,991	22.92%	7,357,951	21.33%	9,328,705	23.81%	10,652,168	25.41%
Construction	6,279,373	22.40%	7,969,541	23.10%	8,564,624	21.87%	8,345,422	19.91%
Manufacturing	3,766,694	13.43%	3,681,898	10.68%	4,203,054	10.73%	4,441,530	10.60%
Renting and business activities	3,081,254	10.99%	3,174,443	9.21%	3,456,413	8.83%	3,573,146	8.53%
Agriculture, forestry, animal husbandry and fishery	608,596	2.17%	1,809,993	5.25%	2,698,431	6.89%	3,021,338	7.21%
Water, environment and public facilities management	1,478,554	5.27%	2,568,634	7.45%	2,625,314	6.70%	2,551,192	6.09%
Education	2,500,410	8.92%	2,718,334	7.88%	2,574,623	6.57%	2,793,215	6.67%
Real estate	1,061,185	3.78%	1,575,054	4.57%	2,008,170	5.13%	2,125,193	5.07%
Electricity, heat, gas and water production and supply	231,574	0.83%	842,082	2.44%	824,529	2.11%	1,213,662	2.90%
Culture, sport and entertainment	474,229	1.69%	477,981	1.39%	231,720	0.59%	827,181	1.97%
Accommodation and catering	614,284	2.19%	572,257	1.66%	563,125	1.44%	481,552	1.15%
Transportation, warehousing and express service	401,516	1.43%	485,121	1.41%	657,918	1.68%	475,798	1.14%
Information transmission, software and information technology services	120,238	0.43%	151,008	0.44%	297,149	0.76%	325,081	0.78%
Scientific research and technology services	93,980	0.35%	166,960	0.48%	205,657	0.53%	319,073	0.76%
Health, social security and social welfare	315,257	1.12%	319,677	0.93%	355,164	0.91%	290,244	0.69%
Mining	278,409	0.99%	287,742	0.83%	290,352	0.74%	221,600	0.53%
Financing	292,800	1.04%	279,100	0.81%	211,600	0.54%	172,251	0.41%
Residential services, repairs and other services	12,440	0.05%	47,690	0.14%	65,670	0.17%	75,721	0.18%
Total corporate loans	28,037,784	100.00%	34,485,466	100.00%	39,162,218	100.00%	41,905,367	100.00%

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Personal loans								
Personal business loans	2,892,157	50.63%	2,143,625	42.76%	2,121,470	43.14%	2,029,662	41.33%
Residential mortgage loans	2,232,464	39.08%	2,072,517	41.35%	1,944,069	39.54%	1,841,566	37.50%
Personal consumption loans	588,119	10.29%	796,453	15.89%	851,601	17.32%	1,039,796	21.17%
Total personal loans	5,712,740	100.00%	5,012,595	100.00%	4,917,140	100.00%	4,911,024	100.00%
Discounted bills	432,341	25.70%	304,034	7.29%	482,197	6.59%	680,283	8.50%
Rediscounted bills	1,249,867	74.30%	3,864,443	92.71%	6,829,980	93.41%	7,323,518	91.50%
Total loans and advances to customers	35,432,732	100.00%	43,666,538	100.00%	51,391,535	100.00%	54,820,192	100.00%

The concentration risks analysis of loans and advances to customers is analysed based on industry classification of the borrowers.

(f) Analysis of loans and advances to customers by geographical areas

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Loans and advances to customers at amortized cost								
Sichuan	29,174,228	86.44%	35,848,343	90.76%	41,355,525	93.82%	44,239,923	94.50%
Others	4,576,296	13.56%	3,649,718	9.24%	2,723,833	6.18%	2,576,468	5.50%
Total loans and advances to customers	33,750,524	100.00%	39,498,061	100.00%	44,079,358	100.00%	46,816,391	100.00%

(g) Type of collateral analysis

Analysis for loans and advances to customers (gross) by type of collateral:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Collateralised loans	15,735,004	16,895,062	18,338,622	19,343,598
Pledged loans	5,016,617	6,565,041	8,217,950	8,983,067
Guaranteed loans	11,113,945	14,846,498	16,300,364	16,951,495
Unsecured loans	1,884,958	1,191,460	1,222,422	1,538,231
Total	33,750,524	39,498,061	44,079,358	46,816,391

3.1.7 Investment securities

The table below presents an analysis of RMB investment securities rated by Dagong Global Credit Rating Co., Ltd. as at December 31, 2021, 2022, 2023 and June 30, 2024.

The rating results of investment securities as following:

As at December 31, 2021

	Financial investments – amortised cost	**Financial investments – other comprehensive income**	**Financial investments – profit or loss**	**Total**
RMB securities *(a)*				
AA to AAA	–	77,810	150,422	228,232
A to AA-	–	53,217	–	53,217
A- and below	–	–	–	–
Unrated	5,409,156	11,627,987	3,803,737	20,840,880
Total	5,409,156	11,759,014	3,954,159	21,122,329

As at December 31, 2022

	Financial investments – amortised cost	Financial investments – other comprehensive income	Financial investments – profit or loss	Total
RMB securities *(a)*				
AA to AAA	–	20,912	117,928	138,840
A to AA-	–	–	–	–
A- and below	–	75,449	–	75,449
Unrated	7,807,486	10,039,668	5,465,719	23,312,873
Total	7,807,486	10,136,029	5,583,647	23,527,162

As at December 31, 2023

	Financial investments – amortised cost	Financial investments – other comprehensive income	Financial investments – profit or loss	Total
RMB securities *(a)*				
AA to AAA	–	–	76,808	76,808
A to AA-	–	–	–	–
A- and below	–	72,535	–	72,535
Unrated	7,783,629	15,873,355	5,154,795	28,811,779
Total	7,783,629	15,945,890	5,231,603	28,961,122

As at June 30, 2024

	Financial investments – amortised cost	Financial investments – other comprehensive income	Financial investments – profit or loss	Total
RMB securities *(a)*				
AA to AAA	–	80,069	32,895	112,964
A to AA-	–	–	–	–
A- and below	–	55,464	–	55,464
Unrated	6,590,894	20,259,852	5,352,875	32,203,621
Total	6,590,894	20,395,385	5,385,770	32,372,049

(a) The Group's unrated debt instrument investments comprise mainly of national debts and local government debts, financial debts issued by China Development Bank and policy banks, commercial bank debts, interbank certificates of deposit, non-bank financial institutions bonds and corporate bonds.

Financial investments – amortised cost are summarised as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Stage 1	5,409,156	7,807,486	7,783,669	6,590,940
Issued by:				
Government – National	438,496	491,148	491,220	491,233
Government – Provincial	3,319,728	4,281,802	4,281,098	4,261,872
Financial institutions – China Development Bank and Policy banks	1,650,932	3,034,536	3,011,351	1,837,835
Less: ECL allowance	–	–	(40)	(46)
Total	5,409,156	7,807,486	7,783,629	6,590,894

As at December 31, 2021, and 2022, there was no impairment provision for investments securities classified as amortised cost. As at December 31, 2023 and June 30, 2024, the impairment provision for investments securities classified as amortised cost is RMB40 thousand and RMB46 thousand respectively.

Financial investments – other comprehensive income are summarised as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Stage 1	11,211,585	10,039,668	15,192,869	19,680,849
Issued by:				
Government – National	1,707,792	841,836	431,427	745,891
Government – Provincial	2,245,794	1,736,360	3,394,585	3,816,682
Financial institutions – China Development Bank and Policy banks	689,468	2,179,845	3,659,619	3,510,321
Financial institutions – Others	5,860,993	4,658,443	7,317,667	11,135,205
Corporates	707,538	623,184	389,571	472,750
Stage 2	416,402	–	680,486	579,003
Issued by:				
Corporates	416,402	–	680,486	579,003
Net amount	11,627,987	10,039,668	15,873,355	20,259,852

3.1.8 Foreclosed assets

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Properties and plants	69,543	69,615	69,209	69,209
Others	325	325	325	325
Total	69,868	69,940	69,534	69,534

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed properties for its business use. Foreclosed assets are classified in the statement of financial position as other assets.

3.1.9 Concentration risk analysis for financial assets with credit risk exposure

The Group's geographical risk is primarily concentrated in Sichuan Province, Mainland China.

3.2 Market risk

3.2.1 Overview

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are monitored by Risk Management Department and Financial Planning and Finance Department. Regular reports are submitted to the Board of Directors and senior management.

In accordance with the requirements of the National Financial Regulatory Administration ("NFRA", which was officially established on the basis of the former CBIRC), the Group categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. The banking book consists of the financial instruments purchased with excess funds and other financial instruments that are not captured in trading book.

3.2.2 Interest rate risk

The Group's interest rate risk mainly includes cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the market value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk of the Group mainly comes from impact of interest rate changes on net interest income, which was caused by the mismatch of the interest-rate-sensitive assets and liabilities' maturity date or the re-pricing date. The Chinese government has gradually liberalized interest rates in recent years. From July 20, 2013, commercial banks can independently determine the interest rate of RMB loans (except individual mortgage loans). From October 24, 2015, commercial banks can independently determine the interest rate of deposits. From August 17, 2019, the LPR system was officially announced. With the liberalization of interest rates, the interest rate volatility has gradually shifted from policy oriented to market oriented, and therefore faces more uncertainties.

The Group has implemented a unified interest rate management policy to manage interest rate risk. The Group complies with relevant laws and regulations to determine price for deposits and loan products. The Group uses the PBOC's benchmark interest rate, capital cost, asset risk status and other indicators as the pricing benchmark, and takes into account customer needs and business operations, the prices of similar products in the industry and competitors, and the business relationship with the customers to determine the product price.

The Group regularly conducts sensitivity analysis on interest rates. The Group regularly analyses the interest rate gap between interest bearing assets and interest bearing liabilities in bank accounts and transaction accounts, thereby guiding the development of business.

The Group pays close attention to the latest development of the government's economic policies, especially those that have a significant impact on market interest rates. The Group continuously monitors and conducts research on financial market conditions and macroeconomic conditions, thereby improving the ability to predict interest rate fluctuations. Based on the ever-changing trend of market interest rates, the Group dynamically adjusts the size and structure of assets to cope with changes in the market environment so as to match the maturity of assets and liabilities. For example, when predicting a downward trend in the bond market, the Group will keep bond assets at a low level to minimize the associated risks. In addition, the Group has increased the sales and marketing efforts of long-term deposits, thereby stabilized capital and reducing interest risk from deposits. The Group has formulated risk management policies for financial market operations.

The Group uses internal management system to monitor and manage the overall interest rate risk of the assets and liabilities under the non-trading book. At the current stage, the Group manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Group analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Group controls and manages interest risk by establishing the instruction and authorisation limit of investment portfolio. The Group's financial market management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Group embranchments' interest rate risk for managing using the internal funding transfer-pricing system.

The tables below summarise the Group's exposures to interest rate risks. The tables show the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2021							
Assets							
Cash and balances with central bank	6,746,853	–	–	–	–	124,272	6,871,125
Financial assets held under resale agreements, due from other banks and other financial institutions	2,939,627	799,928	199,918	170,667	–	7,925	4,118,065
Loans and advances to customers	4,997,410	2,376,749	10,825,461	14,452,218	1,191,526	122,452	33,965,816
Financial investments – fair value through profit or loss	–	–	237,711	2,768,073	845,191	662,571	4,513,546
Financial investments – fair value through other comprehensive income	1,157,115	744,425	4,650,178	3,725,074	1,408,144	74,078	11,759,014
Financial investments – amortised cost	–	68,164	421,148	1,156,063	3,702,494	133,749	5,481,618
Other financial assets	–	–	–	–	–	117,763	117,763
Total financial assets	15,841,005	3,989,266	16,334,416	22,272,095	7,147,355	1,242,810	66,826,947
Liabilities							
Borrowings from central bank	–	–	998,313	–	–	670	998,983
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	4,591,161	–	1,640,000	–	–	8,680	6,239,841
Customer deposits	23,374,986	2,701,202	7,800,144	13,548,119	–	918,236	48,342,687
Debt securities issued	–	944,826	3,237,448	–	–	–	4,182,274
Lease liabilities	4,391	1,722	6,282	8,420	882	–	21,697
Other financial liabilities	–	–	–	–	–	164,266	164,266
Total financial liabilities	27,970,538	3,647,750	13,682,187	13,556,539	882	1,091,852	59,949,748
Total interest sensitivity gap	(12,129,533)	341,516	2,652,229	8,715,556	7,146,473	150,958	6,877,199

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2022							
Assets							
Cash and balances with central bank	5,445,710	–	–	–	–	140,787	5,586,497
Financial assets held under resale agreements, due from other banks and other financial institutions	5,883,542	29,966	429,324	170,667	–	14,087	6,527,586
Loans and advances to customers	5,517,289	4,348,064	17,193,395	13,348,775	1,620,915	282,489	42,310,927
Financial investments – fair value through profit or loss	6,003	210,937	2,174,202	2,944,486	364,383	523,736	6,223,747
Financial investments – fair value through other comprehensive income	219,719	1,976,816	2,692,861	1,615,651	3,497,834	133,148	10,136,029
Financial investments – amortised cost	–	–	–	1,134,064	6,521,192	152,230	7,807,486
Other financial assets	–	–	–	–	–	79,050	79,050
Total financial assets	17,072,263	6,565,783	22,489,782	19,213,643	12,004,324	1,325,527	78,671,322
Liabilities							
Borrowings from central bank	200,547	6,419	1,671,987	–	–	1,131	1,880,084
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	2,141,176	–	2,200,000	800,000	–	8,916	5,150,092
Customer deposits	25,365,022	3,264,393	11,103,281	18,471,392	2	1,189,726	59,393,816
Debt securities issued	–	854,584	3,612,232	–	–	–	4,466,816
Lease liabilities	3,818	1,815	2,402	7,061	1,210	–	16,306
Other financial liabilities	–	–	–	–	–	234,468	234,468
Total financial liabilities	27,710,563	4,127,211	18,589,902	19,278,453	1,212	1,434,241	71,141,582
Total interest sensitivity gap	(10,638,300)	2,438,572	3,899,880	(64,810)	12,003,112	(108,714)	7,529,740

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2023							
Assets							
Cash and balances with central bank	6,422,868	–	–	–	–	154,101	6,576,969
Financial assets held under resale agreements, due from other banks and other financial institutions	4,814,454	289,451	489,277	–	–	7,431	5,600,613
Loans and advances to customers	6,142,197	4,833,973	19,275,990	15,484,061	3,302,562	336,097	49,374,880
Financial investments – fair value through profit or loss	130,042	50,095	1,377,265	3,345,203	238,360	1,127,824	6,268,789
Financial investments – fair value through other comprehensive income	699,426	2,697,949	3,706,277	3,700,274	4,935,829	206,135	15,945,890
Financial investments – amortised cost	1,111,213	–	–	1,074,683	5,445,764	151,969	7,783,629
Other financial assets	–	–	–	–	–	93,573	93,573
Total financial assets	19,320,200	7,871,468	24,848,809	23,604,221	13,922,515	2,077,130	91,644,343
Liabilities							
Borrowings from central bank	187,756	239,965	1,768,995	–	–	1,324	2,198,040
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	2,600,278	984,000	2,366,000	300,000	–	12,808	6,263,086
Customer deposits	24,501,915	4,458,876	14,029,733	26,801,168	7	1,647,355	71,439,054
Debt securities issued	–	885,341	2,393,681	–	–	–	3,279,022
Lease liabilities	1,615	214	790	16,540	7,337	–	26,496
Other financial liabilities	–	–	–	–	–	391,059	391,059
Total financial liabilities	27,291,564	6,568,396	20,559,199	27,117,708	7,344	2,052,546	83,596,757
Total interest sensitivity gap	(7,971,364)	1,303,072	4,289,610	(3,513,487)	13,915,171	24,584	8,047,586

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at June 30, 2024							
Assets							
Cash and balances with central bank	5,152,558	–	–	–	–	137,551	5,290,109
Financial assets held under resale agreements, due from other banks and other financial institutions	5,409,021	698,918	389,197	–	–	9,294	6,506,430
Loans and advances to customers	3,117,957	4,241,032	23,875,823	17,357,128	3,834,554	299,097	52,725,591
Financial investments – fair value through profit or loss	130,072	330,667	1,343,071	3,375,444	127,732	1,488,242	6,795,228
Financial investments – fair value through other comprehensive income	1,398,687	2,991,784	5,433,066	6,204,413	4,209,349	158,086	20,395,385
Financial investments – amortised cost	–	–	–	1,074,720	5,445,418	70,756	6,590,894
Other financial assets	–	–	–	–	–	100,931	100,931
Total financial assets	15,208,295	8,262,401	31,041,157	28,011,705	13,617,053	2,263,957	98,404,568
Liabilities							
Borrowings from central bank	286,368	214,312	1,462,415	–	–	1,033	1,964,128
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	2,752,690	1,340,000	2,580,000	–	–	14,812	6,687,502
Customer deposits	27,277,419	3,688,249	15,855,210	31,685,726	5	1,956,563	80,463,172
Debt securities issued	–	299,241	168,267	–	–	–	467,508
Lease liabilities	1,332	1,665	6,502	12,688	1,703	–	23,890
Other financial liabilities	–	–	–	–	–	415,418	415,418
Total financial liabilities	30,317,809	5,543,467	20,072,394	31,698,414	1,708	2,387,826	90,021,618
Total interest sensitivity gap	(15,109,514)	2,718,934	10,968,763	(3,686,709)	13,615,345	(123,869)	8,382,950

3.2.3 Sensitivity tests

Interest rate sensitivity test

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions. The projections assume that yield curves move parallel to the change of interest rate; the assets and liabilities portfolio has a static structure of interest rate; all positions are held and renewed after maturity. But the Group has not considered the following: changes after the balance sheet date; the impact of interest rate fluctuations on the customers' behaviors; the complicated relationship between complex structured products and interest rate fluctuations; the impact of interest rate fluctuations on market prices; the impact of interest rate fluctuations on off-balance sheet products; and impact of risk management.

On the basis of the above gap analysis on the interest rate, the Group implemented sensitivity test to analyses the sensitivity of bank's net interest income against change in interest rate. The table below illustrates the analysis of potential impact on the Group's net interest income at December 31, 2021, 2022, 2023 and June 30, 2024 on the assumption of a 100 basis point parallel move of the yield curves on each balance sheet date.

	Expected changes of net interest income			
	As at December 31,			**As at June 30,**
	2021	**2022**	**2023**	**2024**
+ 100 basis point parallel move in all yield curves	(77,587)	(50,253)	(32,275)	(37,610)
- 100 basis point parallel move in all yield curves	77,587	50,253	32,275	37,610

3.3 Foreign exchange risk

The Group does not have foreign currency transactions and balance, the Group does not have exposure to risk of changes or exchange rate.

3.4 Liquidity risk

3.4.1 Overview

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Group's objective in liquidity management is to ensure the availability of adequate funding to meet its needs to fund deposits withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and cash deposit hold as collateral. The Board of Directors set the minimum proportion of funds to be made available to meet such calls and the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. As at December 31, 2021, 2022, 2023 and June 30, 2024, 6%, 5.25%, 5% and 5% of the Bank's total RMB-denominated deposits must be deposited with the PBOC (Note 16), respectively. As at December 31, 2021, 2022, 2023 and June 30, 2024, 5%, 5%, 5% and 5% of Xinglong Bank and Xingyi Bank's total RMB-denominated deposits must be deposited with the PBOC, respectively.

3.4.2 Liquidity risk management process

The Board of Directors formulates the risk preference and the Financial Planning and Finance Department formulates the policies, strategies, procedures, limits and contingency plans relate to the overall management of liquidity risk according to risk preference.

The Group applies new technology to enhance the involvement of IT in liquidity risk management. The system monitors the liquidity index and exposure, which form a mechanism in regular, automatic liquidity risk assessment, and arrange the banking processes according to current liquidity exposure. The Group modifies the assets and liabilities maturity structure by applying internal fund transfer pricing, while taking control of the limit of the liquidity risk by carrying out performance assessment. The Group pays constant attention to its liquidity risk management process, enhances and improves liquidity risk related policy timely, to achieve its goal in liquidity risk management.

3.4.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the undiscounted cash flows of the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date.

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at December 31, 2021									
Assets									
Cash and balances with central bank	–	4,089,335	–	1,700	–	–	–	2,780,090	6,871,125
Financial assets held under resale agreements, due from other banks and other financial institutions	–	1,011,940	1,936,662	804,013	201,432	170,667	–	–	4,124,714
Loans and advances to customers	825,087	–	1,475,854	2,788,716	12,395,630	17,991,387	3,213,468	–	38,690,142
Financial investments – fair value through profit or loss	26,107	–	577,445	58,568	399,108	3,596,806	948,389	–	5,606,423
Financial investments – fair value through other comprehensive income	–	–	1,198,538	833,506	4,929,948	4,195,447	1,880,584	–	13,038,023
Financial investments – amortised cost	–	–	89,019	147,394	596,620	1,775,903	5,520,323	–	8,129,259
Other financial assets	7,722	110,041	–	–	–	–	–	–	117,763
Financial assets held for managing liquidity risk (contractual maturity dates)	858,916	5,211,316	5,277,518	4,633,897	18,522,738	27,730,210	11,562,764	2,780,090	76,577,449

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Liabilities									
Borrowings from central bank	–	–	1,908	3,754	1,008,741	–	–	–	1,014,403
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	29,603	4,569,710	9,255	1,663,754	–	–	–	6,272,322
Customer deposits	–	22,660,500	1,634,015	2,714,239	7,928,453	14,905,072	–	–	49,842,279
Debt securities issued	–	–	–	950,000	3,290,000	–	–	–	4,240,000
Lease liabilities	–	–	4,393	1,726	6,443	10,206	1,764	–	24,532
Other financial liabilities	–	164,266	–	–	–	–	–	–	164,266
Total financial liabilities (contractual maturity dates)	–	22,854,369	6,210,026	3,678,974	13,897,391	14,915,278	1,764	–	61,557,802
Position	858,916	(17,643,053)	(932,508)	954,923	4,625,347	12,814,932	11,561,000	2,780,090	15,019,647

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at December 31, 2022									
Assets									
Cash and balances with central bank	–	2,623,961	–	2,097	–	–	–	2,960,440	5,586,498
Financial assets held under resale agreements, due from other banks and other financial institutions	–	1,181,963	4,714,790	32,632	435,944	170,667	–	–	6,535,996
Loans and advances to customers	640,647	–	1,674,728	4,890,662	19,299,092	17,008,472	3,909,730	–	47,423,331

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Financial investments – fair value through profit or loss	–	–	36,885	260,459	2,342,491	3,546,021	413,884	33,190	6,632,930
Financial investments – fair value through other comprehensive income	22,257	–	249,966	2,075,631	2,938,881	2,245,057	4,176,886	–	11,708,678
Financial investments – amortised cost	–	–	96,144	90,751	257,069	2,042,625	9,152,134	–	11,638,723
Other financial assets	16,328	62,722	–	–	–	–	–	–	79,050
Financial assets held for managing liquidity risk (contractual maturity dates)	679,232	3,868,646	6,772,513	7,352,232	25,273,477	25,012,842	17,652,634	2,993,630	89,605,206
Liabilities									
Borrowings from central bank	–	–	203,760	12,013	1,683,947	–	–	–	1,899,720
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	132,272	2,016,293	13,968	2,236,511	813,626	–	–	5,212,670
Customer deposits	–	24,531,480	2,030,088	3,281,927	11,274,843	20,090,207	3	–	61,208,548
Debt securities issued	–	–	–	860,000	3,660,000	–	–	–	4,520,000
Lease liabilities	–	–	3,820	1,815	2,499	8,451	2,333	–	18,918
Other financial liabilities	–	234,469	–	–	–	–	–	–	234,469
Total financial liabilities (contractual maturity dates)	–	24,898,221	4,253,961	4,169,723	18,857,800	20,912,284	2,336	–	73,094,325
Position	679,232	(21,029,575)	2,518,552	3,182,509	6,415,677	4,100,558	17,650,298	2,993,630	16,510,881

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at December 31, 2023									
Assets									
Cash and balances with central bank	–	3,052,999	–	2,329	–	–	–	3,521,641	6,576,969
Financial assets held under resale agreements, due from other banks and other financial institutions	–	1,328,984	3,321,378	294,815	669,080	–	–	–	5,614,257
Loans and advances to customers	757,999	–	2,296,447	5,418,741	21,178,048	19,922,489	5,849,522	–	55,423,246
Financial investments – fair value through profit or loss	–	–	160,279	106,126	1,747,949	3,808,006	264,172	616,014	6,702,546
Financial investments – fair value through other comprehensive income	41,085	–	734,198	2,799,488	4,035,487	4,626,734	5,592,350	–	17,829,342
Financial investments – amortised cost	–	–	1,205,563	79,677	207,953	1,950,697	7,880,040	–	11,323,930
Other financial assets	23,025	70,548	–	–	–	–	–	–	93,573
Financial assets held for managing liquidity risk (contractual maturity dates)	822,109	4,452,531	7,717,865	8,701,176	27,838,517	30,307,926	19,586,084	4,137,655	103,563,863
Liabilities									
Borrowings from central bank	–	–	191,588	245,840	1,784,365	–	–	–	2,221,793
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	73,136	2,535,826	1,007,808	2,396,388	300,358	–	–	6,313,516
Customer deposits	–	19,640,965	5,106,302	4,722,374	14,738,184	30,405,565	9	–	74,613,399
Debt securities issued	–	–	–	890,000	2,420,000	–	–	–	3,310,000

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Lease liabilities	–	–	1,835	243	897	18,791	8,336	–	30,102
Other financial liabilities	–	391,059	–	–	–	–	–	–	391,059
Total financial liabilities (contractual maturity dates)	–	20,105,160	7,835,551	6,866,265	21,339,834	30,724,714	8,345	–	86,879,869
Position	822,109	(15,652,629)	(117,686)	1,834,911	6,498,683	(416,788)	19,577,739	4,137,655	16,683,994

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at June 30, 2024									
Assets									
Cash and balances with central bank	–	1,355,240	–	2,279	–	–	–	3,932,590	5,290,109
Financial assets held under resale agreements, due from other banks and other financial institutions	147,636	2,618,057	2,648,903	703,515	396,517	–	–	–	6,514,628
Loans and advances to customers	554,525	–	2,263,663	4,861,183	22,977,472	22,197,556	6,405,828	–	59,260,227
Financial investments – fair value through profit or loss	–	–	146,601	359,623	1,470,037	3,628,210	149,216	1,409,457	7,163,144
Financial investments – fair value through other comprehensive income	21,868	–	1,428,224	3,049,409	5,735,724	7,233,842	4,530,305	–	21,999,372
Financial investments – amortised cost	–	–	28,490	53,981	191,169	1,955,503	7,785,473	–	10,014,616
Other financial assets	37,018	63,913	–	–	–	–	–	–	100,931
	761,047	4,037,210	6,515,881	9,029,990	30,770,919	35,015,111	18,870,822	5,342,047	110,343,027

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Liabilities									
Borrowings from central bank	–	–	289,385	220,499	1,470,840	–	–	–	1,980,724
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	49,113	2,713,268	1,362,179	2,613,680	–	–	–	6,738,240
Customer deposits	–	23,050,628	4,453,456	3,911,995	17,146,514	36,872,060	6	–	85,434,659
Debt securities issued	–	–	–	300,000	170,000	–	–	–	470,000
Lease liabilities	–	–	1,436	1,794	7,008	13,675	1,836	–	25,749
Other financial liabilities	–	415,418	–	–	–	–	–	–	415,418
Total financial liabilities (contractual maturity dates)	–	23,515,159	7,457,545	5,796,467	21,408,042	36,885,735	1,842	–	95,064,790
Position	761,047	(19,477,949)	(941,664)	3,233,523	9,362,877	(1,870,624)	18,868,980	5,342,047	15,278,237

3.4.4 Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at December 31, 2021									
Assets									
Cash and balances with central bank	–	4,089,335	–	1,700	–	–	–	2,780,090	6,871,125
Financial assets held under resale agreements, due from other banks and other financial institutions	–	1,011,940	1,932,591	801,450	201,417	170,667	–	–	4,118,065
Loans and advances to customers	731,726	–	1,345,576	2,457,311	11,233,776	15,720,919	2,476,508	–	33,965,816
Financial investments – fair value through profit or loss	26,107	–	4,165	31,234	280,495	3,326,354	845,191	–	4,513,546

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Financial investments – fair value through other comprehensive income	–	–	1,163,089	768,031	4,694,676	3,730,728	1,402,490	–	11,759,014
Financial investments – amortised cost	–	–	69,836	110,112	443,113	1,156,063	3,702,494	–	5,481,618
Other financial assets	7,722	110,041	–	–	–	–	–	–	117,763
Financial assets held for managing liquidity risk (contractual maturity dates)	765,555	5,211,316	4,515,257	4,169,838	16,853,477	24,104,731	8,426,683	2,780,090	66,826,947
Liabilities									
Borrowings from central bank	–	–	–	–	998,983	–	–	–	998,983
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	29,603	4,563,596	67	1,646,575	–	–	–	6,239,841
Customer deposits	–	22,660,500	1,632,722	2,701,202	7,800,144	13,548,119	–	–	48,342,687
Debt securities issued	–	–	–	944,826	3,237,448	–	–	–	4,182,274
Lease liabilities	–	–	4,391	1,722	6,282	8,420	882	–	21,697
Other financial liabilities	–	164,266	–	–	–	–	–	–	164,266
Total financial liabilities (contractual maturity dates)	–	22,854,369	6,200,709	3,647,817	13,689,432	13,556,539	882	–	59,949,748
Position	765,555	(17,643,053)	(1,685,452)	522,021	3,164,045	10,548,192	8,425,801	2,780,090	6,877,199

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at December 31, 2022									
Assets									
Cash and balances with central bank	–	2,623,960	–	2,097	–	–	–	2,960,440	5,586,497
Financial assets held under resale agreements, due from other banks and other financial institutions	–	1,181,963	4,710,496	31,012	433,448	170,667	–	–	6,527,586
Loans and advances to customers	552,909	–	1,530,455	4,475,357	17,966,502	14,605,191	3,180,513	–	42,310,927
Financial investments – fair value through profit or loss	–	–	20,384	228,508	2,226,051	3,351,231	364,383	33,190	6,223,747
Financial investments – fair value through other comprehensive income	22,257	–	221,010	2,023,408	2,755,869	1,615,651	3,497,834	–	10,136,029
Financial investments – amortised cost	–	–	71,366	41,995	38,868	1,134,064	6,521,193	–	7,807,486
Other financial assets	16,328	62,722	–	–	–	–	–	–	79,050
Financial assets held for managing liquidity risk (contractual maturity dates)	591,494	3,868,645	6,553,711	6,802,377	23,420,738	20,876,804	13,563,923	2,993,630	78,671,322
Liabilities									
Borrowings from central bank	–	–	200,632	6,419	1,673,033	–	–	–	1,880,084
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	132,272	2,009,347	1,158	2,205,364	801,951	–	–	5,150,092
Customer deposits	–	24,531,481	2,023,267	3,264,393	11,103,281	18,471,392	2	–	59,393,816
Debt securities issued	–	–	–	854,584	3,612,232	–	–	–	4,466,816

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Lease liabilities	–	–	3,818	1,815	2,402	7,061	1,210	–	16,306
Other financial liabilities	–	234,468	–	–	–	–	–	–	234,468
Total financial liabilities (contractual maturity dates)	–	24,898,221	4,237,064	4,128,369	18,596,312	19,280,404	1,212	–	71,141,582
Position	591,494	(21,029,576)	2,316,647	2,674,008	4,824,426	1,596,400	13,562,711	2,993,630	7,529,740

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at December 31, 2023									
Assets									
Cash and balances with central bank	–	3,052,999	–	2,329	–	–	–	3,521,641	6,576,969
Financial assets held under resale agreements, due from other banks and other financial institutions	–	1,328,984	3,318,579	291,416	661,634	–	–	–	5,600,613
Loans and advances to customers	734,216	–	2,241,862	5,017,337	19,570,613	16,869,889	4,940,963	–	49,374,880
Financial investments – fair value through profit or loss	–	–	145,128	76,712	1,632,533	3,560,040	238,362	616,014	6,268,789
Financial investments – fair value through other comprehensive income	41,085	–	708,244	2,748,427	3,812,031	3,700,274	4,935,829	–	15,945,890
Financial investments – amortised cost	–	–	1,182,580	41,867	38,736	1,074,683	5,445,763	–	7,783,629
Other financial assets	23,025	70,548	–	–	–	–	–	–	93,573

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Financial assets held for managing liquidity risk (contractual maturity dates)	798,326	4,452,531	7,596,393	8,178,088	25,715,547	25,204,886	15,560,917	4,137,655	91,644,343
Liabilities									
Borrowings from central bank	–	–	188,003	239,975	1,770,062	–	–	–	2,198,040
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	73,136	2,527,341	992,779	2,369,582	300,248	–	–	6,263,086
Customer deposits	–	19,640,958	4,966,179	4,629,482	14,440,342	27,762,086	7	–	71,439,054
Debt securities issued	–	–	–	885,341	2,393,681	–	–	–	3,279,022
Lease liabilities	–	–	1,615	214	790	16,540	7,337	–	26,496
Other financial liabilities	–	391,059	–	–	–	–	–	–	391,059
Total financial liabilities (contractual maturity dates)	–	20,105,153	7,683,138	6,747,791	20,974,457	28,078,874	7,344	–	83,596,757
Position	798,326	(15,652,622)	(86,745)	1,430,297	4,741,090	(2,873,988)	15,553,573	4,137,655	8,047,586

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
As at June 30, 2024									
Assets									
Cash and balances with central bank	–	1,355,240	–	2,279	–	–	–	3,932,590	5,290,109
Financial assets held under resale agreements, due from other banks and other financial institutions	147,636	2,618,057	2,645,682	700,934	394,121	–	–	–	6,506,430

	Overdue	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Total
Loans and advances to customers	508,517	–	2,071,046	4,404,196	21,333,822	18,947,902	5,460,108	–	52,725,591
Financial investments – fair value through profit or loss	–	–	131,712	331,340	1,365,788	3,429,198	127,733	1,409,457	6,795,228
Financial investments – fair value through other comprehensive income	21,868	–	1,399,739	2,993,440	5,489,297	6,281,690	4,209,351	–	20,395,385
Financial investments – amortised cost	–	–	9,275	16,171	21,952	1,098,078	5,445,418	–	6,590,894
Other financial assets	37,018	63,913	–	–	–	–	–	–	100,931
Financial assets held for managing liquidity risk (contractual maturity dates)	715,039	4,037,210	6,257,454	8,448,360	28,604,980	29,756,868	15,242,610	5,342,047	98,404,568
Liabilities									
Borrowings from central bank	–	–	286,368	215,344	1,462,416	–	–	–	1,964,128
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	–	49,113	2,704,818	1,348,966	2,584,605	–	–	–	6,687,502
Customer deposits	–	23,022,891	4,395,892	3,788,349	16,369,886	32,886,149	5	–	80,463,172
Debt securities issued	–	–	–	299,241	168,267	–	–	–	467,508
Lease liabilities	–	–	1,332	1,665	6,502	12,688	1,703	–	23,890
Other financial liabilities	–	415,418	–	–	–	–	–	–	415,418
Total financial liabilities (contractual maturity dates)	–	23,487,422	7,388,410	5,653,565	20,591,676	32,898,837	1,708	–	90,021,618
Position	715,039	(19,450,212)	(1,130,956)	2,794,795	8,013,304	(3,141,969)	15,240,902	5,342,047	8,382,950

3.4.5 *Off-balance-sheet items*

The table below lists the off-balance-sheet statement items of the Group according to their remaining term to maturity and also includes the future minimum lease payments under non-cancellable operating leases where the Group are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

As at December 31, 2021

	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptances	7,608,620	–	–	7,608,620
Letters of guarantee	20,169	153	–	20,322
Total	7,628,789	153	–	7,628,942

As at December 31, 2022

	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptances	11,412,234	–	–	11,412,234
Letters of guarantee	74,267	4,893	–	79,160
Total	11,486,501	4,893	–	11,491,394

As at December 31, 2023

	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptances	6,510,671	–	–	6,510,671
Letters of guarantee	45,554	4,739	–	50,293
Total	6,556,225	4,739	–	6,560,964

As at June 30, 2024

	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptances	7,477,346	–	–	7,477,346
Letters of guarantee	71,004	490	–	71,494
Total	7,548,350	490	–	7,548,840

3.5 Fair values of financial assets and liabilities

(a) Financial instruments not measured at fair value

The Group's financial assets and liabilities not measured at fair value mainly include cash and balances with central bank, financial assets held under resale agreements, due from other banks and other financial institution, loans and advances to customers, financial investments – amortised cost, other financial assets, borrowings from central bank, financial assets sold under repurchase agreements, due to other banks and other financial institutions, customer deposits, lease liabilities, debt securities issued and other financial liabilities.

Cash and balances with central bank, financial assets held under resale agreements, due from other banks and other financial institutions

Cash and balances with central bank, financial assets held under resale agreements, due from other banks and other financial institutions are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

Loans and advances to customers

Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate the fair values.

The table below summarises the financial assets and liabilities that have difference between carrying amounts (include accrued interest) and fair value as at December 31, 2021, 2022, 2023 and June 30, 2024.

	As at December 31, 2021				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial investments – amortised cost	5,481,618	–	5,485,214	72,463	5,557,677
Financial liabilities					
Debt securities issued	4,182,274	–	4,115,963	–	4,115,963

	As at December 31, 2022				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial investments – amortised cost	7,807,486	–	7,915,250	–	7,915,250
Financial liabilities					
Debt securities issued	4,466,816	–	4,386,272	–	4,386,272

	As at December 31, 2023				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets					
Financial investments – amortised cost	7,783,629	–	8,143,615	–	8,143,615
Financial liabilities					
Debt securities issued	3,279,022	–	3,278,875	–	3,278,875

	As at June 30, 2024				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets					
Financial investments – amortised cost	6,590,894	–	7,374,410	–	7,374,410
Financial liabilities					
Debt securities issued	467,508	–	457,491	–	457,491

Investment securities

The fair value for financial assets – amortised cost represents investment securities.

If traded in active markets, investment securities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

If not traded in active markets, investment securities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

Debt securities issued

The fair value of fixed interest bearing debt securities issued is calculated using a discounted cash flow model which is based on a current observable yield curve appropriate for the remaining term to maturity.

Other than above, the carrying values of those financial assets and liabilities not presented at their fair value on the statement of financial position are a reasonable approximation of their fair values. Fair value is measured using a discounted future cash flow model.

(b) Fair value hierarchy

IFRS 7 specifies the levels of valuation techniques that based on the inputs of valuation techniques that are observable or not. The observable inputs reflect the market data obtained from independent sources. These two inputs lead to 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 the assets or liabilities, either directly or indirectly.

- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The Group determines the fair value of the financial instrument by valuation techniques when it is difficult to obtain quotations from the open market.

The main parameters of valuation techniques used in financial instruments includes the price of the bond, interest rate, stock and equity price, volatility level, prepayment rates, and the credits spreads of counterparty. All of these parameters can be observed and obtained from the open market.

The measurement of the fair value of those equity investments held by the Group adopts unobservable parameters that may have significant impact on the valuations. Thus, the Group would better classify these financial instruments to the third level. Management has assessed the influence of macroeconomic factors, the valuation by external appraiser, loss coverage, and many other parameters, so as to examine the correlation between the fair value of third level financial instruments and the above parameters. The Group has established an internal control system to supervise the exposure of the Group to such financial instruments.

For certain unlisted equity (private equity), asset management plans and defaulted bonds held by the Group, management obtains valuation quotation from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. As at December 31, 2021, the Group's significant unobservable input was discount rate. As at December 31, 2022, the Group's significant unobservable inputs include liquidity discounts, comparable company price-to-book ratio and recovery rate. As at December 31, 2023 and June 30, 2024, the Group's significant unobservable inputs include liquidity discounts, comparable company price-to-book ratio, recovery rate and book value per share. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, and valuations by external valuation agencies. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

As at December 31, 2021, a 5% increase in the discount rate applied in the valuation technique would result in a decrease in profit before income tax of RMB55 thousand. As at December 31, 2022, a 5% increase in the liquidity discounts and comparable company price-to-book ratio applied in the valuation technique would result in a decrease in profit before income tax of RMB1,803 thousand and an increase in profit before income tax of RMB1,661 thousand respectively. As at December 31, 2023, a 5% increase in the liquidity discounts, comparable company price-to-book ratio and book value per share applied in the valuation technique would result in a decrease in profit before income tax of RMB1,814 thousand and an increase in profit before income tax of RMB1,656 thousand and RMB121 thousand respectively. As at June 30, 2024, a 5% increase in the liquidity discounts, comparable company price-to-book ratio and book value per share applied in the valuation technique would result in a decrease in profit before income tax of RMB1,807 thousand and an increase in profit before income tax of RMB1,634 thousand and RMB54 thousand respectively.

As at December 31, 2022, 2023 and June 30, 2024, a 5% increase in the recovery rate applied in the valuation technique would result in an increase in other comprehensive income of RMB2,709 thousand, RMB2,375 thousand and RMB1,570 thousand respectively.

As at December 31, 2021, a 5% decrease in the discount rate applied in the valuation technique would result in an increase in profit before income tax of RMB55 thousand. As at December 31, 2022, a 5% decrease in the liquidity discounts and comparable company price-to-book ratio applied in the valuation technique would result in an increase in profit before income tax of RMB1,805 thousand and a decrease in profit before income tax of RMB1,659 thousand respectively. As at December 31, 2023, a 5% decrease in the liquidity discounts, comparable company price-to-book ratio and book value per share applied in the valuation technique would result in an increase in profit before income tax of RMB1,830 thousand and a decrease in profit before income tax of RMB1,640 thousand and RMB121 thousand respectively. As at June 30, 2024, a 5% decrease in the liquidity discounts, comparable company price-to-book ratio and book value per share applied in the valuation technique would result in an increase in profit before income tax of RMB1,806 thousand and a decrease in profit before income tax of RMB1,634 thousand and RMB54 thousand respectively.

As at December 31, 2022, 2023 and June 30, 2024, a 5% decrease in the recovery rate applied in the valuation technique would result in a decrease in other comprehensive income of RMB2,709 thousand, RMB2,375 thousand and RMB1,570 thousand respectively.

Fair values of assets and liabilities are as below:

As at December 31, 2021

	Level 1	Level 2	Level 3	Total
Loans and advances to customers – fair value through other comprehensive income	–	1,682,208	–	1,682,208
Financial investments – fair value through profit or loss				
– Asset management plans	–	559,387	–	559,387
– Debt securities	–	3,928,053	26,106	3,954,159
Financial investments-fair value through other comprehensive income				
– Debt securities	–	5,898,021	–	5,898,021
– Interbank certificates of deposit	–	5,860,993	–	5,860,993
Total	–	17,928,662	26,106	17,954,768

As at December 31, 2022

	Level 1	Level 2	Level 3	Total
Loans and advances to customers – fair value through other comprehensive income	–	4,168,477	–	4,168,477
Financial investments – fair value through profit or loss				
– Asset management plans	–	–	406,851	406,851
– Debt securities	–	5,583,647	–	5,583,647
– Unlisted stocks	–	–	33,190	33,190
– Funds	–	200,059	–	200,059
Financial investments – fair value through other comprehensive income				
– Debt securities	–	5,402,137	75,449	5,477,586
– Interbank certificates of deposit	–	4,658,443	–	4,658,443
Total	–	20,012,763	515,490	20,528,253

As at December 31, 2023

	Level 1	Level 2	Level 3	Total
Loans and advances to customers – fair value through other comprehensive income	–	7,312,177	–	7,312,177
Financial investments – fair value through profit or loss				
– Asset management plans	–	–	221,074	221,074
– Debt securities	–	5,231,603	–	5,231,603
– Wealth management products	–	300,090	–	300,090
– Unlisted stocks	–	–	35,375	35,375
– Funds	–	480,647	–	480,647
Financial investments – fair value through other comprehensive income				
– Debt securities	–	9,041,153	72,535	9,113,688
– Interbank certificates of deposit	–	6,832,202	–	6,832,202
Total	–	29,197,872	328,984	29,526,856

As at June 30, 2024

	Level 1	Level 2	Level 3	Total
Loans and advances to customers – fair value through other comprehensive income	–	8,003,801	–	8,003,801
Financial investments – fair value through profit or loss				
– Asset management plans	–	–	191,004	191,004
– Debt securities	–	5,385,770	–	5,385,770
– Unlisted stocks	–	–	33,772	33,772
– Funds	–	1,184,682	–	1,184,682
Financial investments – fair value through other comprehensive income				
– Debt securities	–	10,787,445	55,464	10,842,909
– Interbank certificates of deposit	–	9,552,476	–	9,552,476
Total	–	34,914,174	280,240	35,194,414

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Movement of Level-3 valuation

	Financial investments
Balance at January 1, 2021	–
Total gains or losses	
– Gains or losses	–
– Other comprehensive income	–
Increase of level 3	26,106
Decrease of level 3	–
Balance at December 31, 2021	26,106

	Financial investments
Balance at January 1, 2022	26,106
Total gains or losses	
– Gains or losses	–
– Other comprehensive income	–
Increase of level 3	515,490
Decrease of level 3	(26,106)
Balance at December 31, 2022	515,490

	Financial investments
Balance at January 1, 2023	515,490
Total gains or losses	
– Gains or losses	29,244
– Other comprehensive income	(2,914)
Increase of level 3	2,422
Decrease of level 3	(215,258)
Balance at December 31, 2023	328,984

	Financial investments
Balance at January 1, 2024	328,984
Total gains or losses	
– Gains or losses	(31,673)
– Other comprehensive income	(17,071)
Increase of level 3	–
Decrease of level 3	–
Balance at June 30, 2024	280,240

3.6 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operation;

To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

To maintain a strong capital base to support the development of its business.

Capital adequacy ratio and the use of regulatory capital are monitored by the Group's management based on the guidelines implemented by the former CBIRC, for supervisory purposes. The required information is filed with the former CBIRC on a quarterly basis.

The Group calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by the former CBIRC in June, 2012 as at 31 December 2021, 31 December 2022 and 31 December 2023. According to the approach, the Group calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method. The former CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial). For systematically important banks, the former CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50% respectively. For non-systematically important banks, the former CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. At present, the Group is fully compliant with legal and regulatory requirements.

The Group calculated the capital adequacy ratio as at 30 June 2024 in accordance with the Measures for the Administration of Capital of Commercial Banks issued by the NFRA, which has been applied from 1 January 2024. According to the rules mentioned above, the Group calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the simplified standard method, and operation risk-weighted assets measurement by the basic indicator method. As a second-tier commercial bank, the Group's capital adequacy ratios are required to meet the lowest requirement of the National Administration of Financial Regulation, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 7.50%, 8.50% and 10.50%, respectively.

The capital adequacy ratio of December 31, 2021, 2022, 2023 and June 30, 2024 is as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Core tier 1 capital	8,035,579	8,539,734	9,158,528	9,506,777
Core tier 1 capital deductions	(166,304)	(243,412)	(232,750)	(203,354)
Net core tier 1 capital	7,869,275	8,296,322	8,925,778	9,303,423
Other tier 1 capital	21,113	23,081	24,421	24,058
Net tier 1 capital	7,890,388	8,319,403	8,950,199	9,327,481
Tier 2 capital	603,733	764,030	842,193	839,178
Net capital	8,494,121	9,083,434	9,792,392	10,166,659
Total risk-weighted assets	51,559,940	64,535,212	73,023,435	68,983,111
Core tier 1 capital adequacy ratio	15.26%	12.86%	12.22%	13.49%
Tier 1 capital adequacy ratio	15.30%	12.89%	12.26%	13.52%
Capital adequacy ratio	16.47%	14.08%	13.41%	14.74%

3.7 Fiduciary activities

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the financial statements.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Entrusted loans	11,658,791	21,226,697	22,746,312	23,295,594

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

The estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Measurement of expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.1 Credit risk.

It requires a lot of significant judgments to measure ECL under relevant accounting standards, such as:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key parameters;

- Criteria for determining a significant increase in credit risk, default and credit impairments;

- The use of economic scenario, economic indicator and weight for forward-looking measurement;
- The management's accumulated adjustment for significant uncertainties that are not included in the model; and
- Future cash flows forecast on corporate loans and debt investments at stage 3.

Detailed information on the above judgments and estimates is set out in Note 3.1.

(b) Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(c) Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

(d) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgment on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

(e) Actuarial valuation of early retirement benefits and supplementary retirement benefits liabilities

The Group has recognised early retirement benefits and supplementary retirement benefits as liabilities and performed actuarial valuation of the amounts of expenses and liabilities in connection with the early retirement benefits and supplementary retirement benefits using various assumptions. The assumptions include discount rates, growth rates of expenses, and mortality rates, etc. Any differences between the actual results and assumptions are accounted for in the current period in accordance with relevant accounting policies. The assumptions used are reasonable to the best knowledge of the Group's management, but the actual experience or changes in assumptions will affect the amounts of expenses and liabilities in connection with the early retirement benefits and supplementary retirement benefits.

5 NET INTEREST INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Interest income					
Deposits with central bank	51,434	51,427	58,155	27,915	32,847
Financial assets held under resale agreements, due from other banks and other financial institutions	69,787	114,476	123,897	62,739	45,787
Loans and advances to customers	1,964,035	2,491,747	2,701,391	1,316,508	1,410,809
Financial investments	460,479	543,903	679,911	308,799	369,269
Subtotal	2,545,735	3,201,553	3,563,354	1,715,961	1,858,712
Interest expense					
Borrowings from central bank	(17,661)	(35,227)	(40,141)	(19,662)	(19,762)
Financial assets sold under repurchase agreements, due to other banks and other financial institutions	(99,761)	(133,722)	(152,485)	(75,575)	(72,506)
Customer deposits	(928,248)	(1,135,484)	(1,471,233)	(694,949)	(909,818)
Debt securities issued	(116,858)	(143,906)	(112,701)	(62,639)	(28,485)
Lease liabilities	(980)	(940)	(1,283)	(431)	(303)
Subtotal	(1,163,508)	(1,449,279)	(1,777,843)	(853,256)	(1,030,874)
Net interest income	1,382,227	1,752,274	1,785,511	862,705	827,838

6 NET FEE AND COMMISSION INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Fee and commission income					
Commission income from settlement and agency services	12,928	25,805	11,646	7,525	7,687
Commission income from bank card services	1,161	1,461	1,153	678	696
Commission income from wealth management agency service *(Note 36(a)(i))*	31,615	17,383	35,098	9,936	28,401
Other commission income	7,507	21,200	27,403	13,181	16,951
	53,211	65,849	75,300	31,320	53,735
Fee and commission expense					
Commission expense from settlement and agency services	(17,417)	(23,148)	(28,545)	(13,924)	(15,399)
Other commission expense	(3,080)	(3,325)	(2,836)	(1,267)	(1,401)
	(20,497)	(26,473)	(31,381)	(15,191)	(16,800)
Net fee and commission income	32,714	39,376	43,919	16,129	36,935

7 NET GAINS/(LOSSES) ON TRADING ACTIVITIES

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Debt securities	151,822	96,829	262,444	166,126	141,804
Funds	7,190	15,614	18,219	13,677	14,426
Asset management plans	12,228	(147,393)	11,305	5,832	(27,171)
Unlisted stocks	–	–	(237)	(2,472)	(1,603)
Wealth management products	–	–	90	–	2,497
Total	171,240	(34,950)	291,821	183,163	129,953

8 NET GAINS ON FINANCIAL INVESTMENTS

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Net gains arising from financial assets at fair value through other comprehensive income	11,008	86,544	10,637	555	69,804

9 OTHER OPERATING INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Rental income	8,945	11,004	6,363	4,254	4,564
Net (losses)/gains on disposal of property, plant and equipment	(709)	200	12,573	5,375	917
Government grants	16,793	11,450	18,989	2,676	6,603
Other miscellaneous (expenses)/income	(1,376)	1,114	(54)	1,084	1,339
Total	23,653	23,768	37,871	13,389	13,423

10 OPERATING EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Staff costs *(i)*	334,192	358,883	396,294	185,195	190,733
General and administrative expenses	140,710	166,333	181,355	82,109	100,970
Professional fees	5,583	7,210	4,987	2,593	2,618
Listing expenses	–	–	1,247	671	468
Auditors' remuneration					
– Audit service	1,085	585	699	250	223
– Non-audit service	624	152	79	8	91
Depreciation and expenses	77,243	76,688	70,332	36,281	31,832
Technical service fees	28,403	24,661	21,419	12,023	9,886
Tax and surcharges	18,914	20,843	21,791	10,030	12,854
Total	606,754	655,355	698,203	329,160	349,675

(i) Staff costs

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Wages and salaries, bonus, allowance and subsidies	232,085	248,578	278,018	129,181	131,096
Staff welfare	12,983	12,879	14,386	6,149	6,975
Social security contributions	42,813	47,548	49,040	24,079	25,071
Labour union funds and employee education funds	6,364	6,100	6,887	3,199	3,225
Defined contribution benefits	37,317	42,362	45,026	21,687	22,746
Supplementary retirement benefits *(Note 32(a)(iii))*	2,630	1,416	2,937	900	1,620
Total	334,192	358,883	396,294	185,195	190,733

11 DIRECTORS AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2023 and 2024, include nil, nil, nil, nil and 2 directors whose emoluments are reflected in analysis shown in Note 11 below. The emoluments payable to the remaining 5, 5, 5, 5 and 3 individuals who are not directors or supervisors for the years ended 31 December 2021, 2022, 2023 and the six months ended 30 June 2023 and 2024 are shown as below:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Salaries	2,839	1,823	1,774	975	721
Discretionary bonuses	4,718	4,975	4,608	2,496	1,100
Contribution to pension schemes	66	54	83	20	16
	7,623	6,852	6,465	3,491	1,837

The emoluments of the remaining highest paid individuals fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
HK$0 – HK$1,000,000	–	1	–	5	3
HK$1,000,001 – HK$1,500,000	4	4	3	–	–
HK$1,500,001 – HK$2,000,000	1	–	2	–	–
	5	5	5	5	3

Details of the directors' and supervisors' emoluments for the year ended December 31, 2021 are as follows:

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Xue Feng	312	99	621	15	1,047
Yang Xingwang(1)	234	74	447	11	766
Xu Yong	312	92	474	17	895
Non-executive directors					
Xiao Yufeng(2)	23	15	–	–	38
Zhao Gen	30	18	–	–	48
Zhou Yun(2)	23	12	–	–	35
Li Zhengyou(2)	23	15	–	–	38
Xiao Weiwei(2)	20	15	–	–	35
Mao Kui(2)	20	12	–	–	32
Luo Wei	30	18	–	–	48
Independent non-executive directors					
Wang Qing(3)	45	12	–	–	57
Yao Liming(3)	45	15	–	–	60
Luo Ji	60	18	–	–	78
Supervisors					
Kang Yong(4)	236	88	467	–	791
Xia Yuanliang	33	–	–	–	33
Li Shuang	–	–	–	–	–
Jia Heng	42	–	–	–	42

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Jia Yan(4)	149	101	363	12	625
Mao Fangqiong(5)	87	70	203	7	367
Liu Wanli	162	113	399	15	689
Chen Qian	72	–	–	–	72
Zhang Jufang	69	–	–	–	69
Xu Jiagen(8)	54	–	–	–	54
Shan Chengge(8)	54	–	–	–	54
Non-executive directors who resigned					
Han Cheng(6)	10	–	–	–	10
Xu Shu(6)	8	3	–	–	11
Gao Junlan(6)	–	–	–	–	–
Ju Xiaoling(6)	8	3	–	–	11
Independent non-executive directors who resigned					
Xu Jiagen(7)	15	3	–	–	18
Shan Chengge(7)	15	3	–	–	18
Supervisors who resigned					
Yin Hua(9)	46	97	93	16	252
Chen Hong(9)	–	–	–	–	–
Liang Youtao(9)	44	20	90	2	156
	2,281	916	3,157	95	6,449

(1) In the twenty-fourth interim meeting of the shareholders in 2020, Yang Xingwang was elected as director, and the qualification was approved in April 2021.

(2) In the twenty-fourth interim meeting of the shareholders in 2020, Xiao Yufeng, Zhou Yun, Li Zhengyou, Xiao Weiwei and Mao Kui were elected as non-executive directors, and the qualification was approved in April 2021.

(3) In the twenty-fourth interim meeting of the shareholders in 2020, Wang Qing and Yao Liming were elected as independent non-executive directors, and the qualification was approved in April 2021.

(4) In the eleventh session of the third staff meeting in 2021, Kang Yong and Jia Yan were elected as staff supervisors.

(5) In the twelfth session of the third staff meeting in 2021, Mao Fangqiong was elected as staff supervisor.

(6) In April 2021, Han Cheng, Xu Shu, Gao Junlan and Ju Xiaoling ceased to be non-executive directors due to expiration of the term of office.

(7) In April 2021, Xu Jiagen and Shan Chengge ceased to be independent non-executive directors due to expiration of the term of office.

(8) In the twenty-fourth interim meeting of the shareholders in 2020, Xu Jiagen and Shan Chengge were elected as supervisors.

(9) In the eleventh session of the third staff meeting in 2021, Yin Hua, Chen Hong and Liang Youtao ceased to be staff supervisors due to expiration of the term of office.

Details of the directors' and supervisors' emoluments for the year ended December 31, 2022 are as follows:

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Xue Feng	331	110	680	18	1,139
Yang Xingwang	331	109	663	17	1,120
Xu Yong	312	101	504	20	937
Non-executive directors					
Xiao Yufeng	30	12	–	–	42
Zhao Gen	30	12	–	–	42
Luo Wei	30	12	–	–	42
Independent Non-executive directors					
Wang Qing	65	12	–	–	77
Yao Liming	65	9	–	–	74
Li Siliang(1)	5	3	–	–	8
Liu Xiuming(1)	5	3	–	–	8
Supervisors					
Kang Yong	298	130	610	17	1,055
Li Shuang	–	–	–	–	–
Jia Heng	30	–	–	–	30
Jia Yan	172	121	428	16	737
Mao Fangqiong	139	112	322	12	585
Liu Wanli	172	123	429	18	742
Chen Qian	63	–	–	–	63
Zhang Jufang	65	–	–	–	65
Xu Jiagen	65	–	–	–	65
Shan Chengge	65	–	–	–	65
Non-executive directors who resigned					
Zhou Yun(2)	30	9	–	–	39
Li Zhengyou(3)	8	3	–	–	11
Xiao Weiwei(3)	13	3	–	–	16
Mao Kui(3)	13	3	–	–	16
Independent Non-executive directors who resigned					
Luo Ji(4)	50	3	–	–	53
	2,387	890	3,636	118	7,031

(1) In the twenty-ninth interim meeting of the shareholders in 2022, Li Siliang and Liu Xiuming were elected as independent directors, and the qualification was approved in December 2022.

(2) In 2022, Zhou Yun ceased to be non-executive director due to work change.

(3) In the twenty-ninth interim meeting of the shareholders in 2022, Li Zhengyou, Xiao Weiwei and Mao Kui ceased to be non-executive directors due to work change.

(4) In the twenty-ninth shareholder's meeting in 2022, Luo Ji resigned as a director and ceased to be independent non-executive director in October 2022 due to the conflict between the current work content and the performance of the independent director's obligations.

Details of the directors' and supervisors' emoluments for the year ended December 31, 2023 are as follows:

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Xue Feng	351	115	715	18	1,199
Yang Xingwang	351	115	715	17	1,198
Xu Yong	351	107	649	20	1,127
Non-executive directors					
Xiao Yufeng	30	18	–	–	48
Zhao Gen	30	18	–	–	48
Liu Rong(1)	24	15	–	–	39
Tian Tian(1)	24	15	–	–	39
Jiang Lin(2)	8	9	–	–	17
Independent Non-executive directors					
Wang Qing	120	15	–	–	135
Yao Liming	120	18	–	–	138
Li Siliang	120	18	–	–	138
Xing Huayu(3)	25	9	–	–	34
Yu Xiaoran(2)	34	9	–	–	43
Supervisors					
Kang Yong	316	139	651	19	1,125
Li Shuang	–	–	–	–	–
Jia Heng	30	–	–	–	30
Wang Shuai(4)	23	–	–	–	23
Jia Yan	183	129	447	18	777
Mao Fangqiong	153	119	403	13	688
Liu Wanli	183	129	465	18	795
Chen Qian	90	–	–	–	90
Zhang Jufang	90	–	–	–	90
Xu Jiagen	90	–	–	–	90
Shan Chengge	90	–	–	–	90

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Non-executive directors who resigned					
Luo Wei(5)	13	–	–	–	13
Liu Xiuming(6)	102	–	–	–	102
	2,951	997	4,045	123	8,116

(1) In the thirtieth interim meeting of the shareholders in 2022, Liu Rong and Tian Tian were elected as non-executive directors, and the qualification was approved in March 2023.

(2) In the thirty-first interim meeting of the shareholders in May 2023, Jiang Lin and Yu Xiaoran were elected as non-executive director and independent non-executive director respectively, and the qualification was approved in September 2023.

(3) In the thirty-first interim meeting of the shareholders in May 2023, Xing Huayu were elected as independent non-executive director, and the qualification was approved in October 2023.

(4) In the thirty-first interim meeting of the shareholders in May 2023, Wang Shuai were elected as shareholder supervisor, and the qualification was approved by the Board of Supervisors and Shareholders' Meeting in May 2023.

(5) In the thirty-first interim meeting of the shareholders in May 2023, Luo Wei resigned as non-executive director due to work change.

(6) In the thirty-first interim meeting of the shareholders in May 2023, Liu Xiuming resigned as independent non-executive director due to work change.

Details of the directors' and supervisors' emoluments for the the six months ended June 30, 2023 are as follows:

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
(Unaudited)					
Executive directors					
Xue Feng	166	46	360	9	581
Yang Xingwang	166	46	350	9	571
Xu Yong	156	46	266	10	478
Non-executive directors					
Xiao Yufeng	15	9	–	–	24
Zhao Gen	15	9	–	–	24
Liu Rong(1)	10	9	–	–	19
Tian Tian(1)	10	9	–	–	19

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Independent Non-executive directors					
Wang Qing	60	9	–	–	69
Yao Liming	60	9	–	–	69
Li Siliang	60	9	–	–	69
Liu Xiuming	60	9	–	–	69
Supervisors					
Kang Yong	149	57	322	9	537
Li Shuang	–	–	–	–	–
Jia Heng	15	–	–	–	15
Wang Shuai(2)	3	–	–	–	3
Jia Yan	86	53	226	8	373
Mao Fangqiong	70	50	170	7	297
Liu Wanli	86	53	226	9	374
Chen Qian	45	–	–	–	45
Zhang Jufang	45	–	–	–	45
Xu Jiagen	45	–	–	–	45
Shan Chengge	45	–	–	–	45
Non-executive directors who resigned					
Luo Wei(3)	13	–	–	–	13
	1,380	423	1,920	61	3,784

(1) In the thirtieth interim meeting of the shareholders in 2022, Liu Rong and Tian Tian were elected as directors, and the qualification was approved in March 2023.

(2) In the thirty-first interim meeting of shareholders in 2023, Wang Shuai was elected as shareholder supervisor, and the qualification was approved in May 2023.

(3) In the thirty-first interim meeting of the shareholders in 2023, Luo Wei ceased to be non-executive director due to work change.

Details of the directors' and supervisors' emoluments for the the six months ended June 30, 2024 are as follows:

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Xue Feng	176	48	351	9	584
Yang Xingwang	176	48	351	9	584
Xu Yong	156	48	234	10	448

Name	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Non-executive directors					
Xiao Yufeng	15	6	–	–	21
Zhao Gen	15	6	–	–	21
Liu Rong(1)	15	6	–	–	21
Tian Tian	15	3	–	–	18
Jiang Lin	15	6	–	–	21
Independent Non-executive directors					
Wang Qing	60	6	–	–	66
Yao Liming	60	6	–	–	66
Li Siliang(2)	60	6	–	–	66
Xing Huayu	60	6	–	–	66
Yu Xiaoran	60	6	–	–	66
Supervisors					
Kang Yong	158	59	316	10	543
He Ling(3)	–	–	–	–	–
Jia Heng	15	6	–	–	21
Wang Shuai	15	6	–	–	21
Jia Yan	91	55	174	9	329
Mao Fangqiong	91	54	186	7	338
Liu Wanli	91	55	180	9	335
Chen Qian	45	6	–	–	51
Zhang Jufang	45	6	–	–	51
Xu Jiagen	45	6	–	–	51
Shan Chengge	45	6	–	–	51
Supervisors who resigned					
Li Shuang(4)	–	–	–	–	–
	1,524	460	1,792	63	3,839

(1) Liu Rong submitted her resignation to the board of directors on October 14, 2024, and her resignation took effect from that day.

(2) Li Siliang submitted his resignation to the board of directors on September 26, 2024, and his resignation took effect from that day.

(3) In the thirty-fifth meeting of the shareholders in April 2024, He Ling were elected as shareholder supervisor, and the qualification was approved in April 2024.

(4) In the thirty-fifth meeting of the shareholders in April 2024, Li Shuang resigned as shareholder supervisor due to work change.

Emolument waived by directors during each of the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Xiao Yufeng	38	42	48	24	21
Han Cheng	10	N/A	N/A	N/A	N/A
Ju Xiaoling	11	N/A	N/A	N/A	N/A
Luo Ji	78	53	N/A	N/A	N/A
Zhou Yun	35	39	N/A	N/A	N/A
Xiao Weiwei	35	16	N/A	N/A	N/A
Mao Kui	32	16	N/A	N/A	N/A
Luo Wei	48	42	13	13	N/A
Jiang Lin	N/A	N/A	17	N/A	21
Liu Rong	N/A	N/A	39	19	21
Tian Tian	N/A	N/A	39	19	18
Xing Huayu	N/A	N/A	34	N/A	66
Total	287	208	190	75	147

No emoluments were paid by the Bank to the directors as an inducement to join the Bank, or as compensation for departure during each of the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024.

(a) Directors' retirement benefits

No retirement benefits were paid to the directors of the Group by a defined contribution plan operated by the Group during each of the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024 in respect of their services as directors of the Group. Save for the retirement benefits paid to certain directors in respect of their other services in connection with the management of the affairs of the Group disclosed above, no other retirement benefits were paid to the directors in respect of their other services of the Group during each of the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024.

None of the directors received or will receive any termination benefits during each of the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024.

(b) Consideration provided to third parties for making available directors services

During each of the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, the Group did not pay any consideration to any third parties for making available the services of themselves as directors of the Group.

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

12 EXPECTED CREDIT LOSSES

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
				(unaudited)	
Loans and advances to customers at amortised cost *(Note 18(b))*	588,855	401,313	900,509	405,051	285,095
Loans and advances to customers – fair value through other comprehensive income *(Note 18(a))*	465	1,171	2,504	1,948	2,794
Off-balance-sheet items *(Note 32)*	344	47,814	(32,591)	(13,933)	9,381
Financial assets sold under repurchase agreements, due to other banks and other financial institutions *(Note 17)*	62,496	2,898	101	(274)	22,875
Financial investments-amortised cost *(Note 21(b))*	1,835	29,629	40	–	6
Financial investments-FVOCI *(Note 20(a))*	(12,620)	237,545	56,174	48,067	32,997
Other financial assets *(Note 26)*	3,287	7,938	1,841	14,683	28,148
Total	644,662	728,308	928,578	455,542	381,296

13 IMPAIRMENT LOSSES

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Foreclosed assets *(Note 26(c))*	468	24	411	–	–
Investment properties *(Note 26(d))*	–	4,995	–	–	–
Property, plant and equipment *(Note 23)*	–	801	–	–	–
Total	468	5,820	411	–	–

14 INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Current income tax	90,026	193,806	168,910	114,643	141,080
Deferred income tax *(Note 25)*	(49,343)	(148,809)	(103,759)	(77,973)	(55,930)
Total	40,683	44,997	65,151	36,670	85,150

Current income tax is calculated by the statutory tax rate of 25% based on the taxable income of estimated assessable profit of the Group for the respective year as stipulated in PRC tax laws.

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% to profit before income tax can be reconciled as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Profit before income tax	368,958	477,529	542,567	291,239	346,982
Tax calculated at a tax rate of 25%	92,240	119,381	135,642	72,810	86,746
Tax effect arising from non-taxable income *(a)*	(58,132)	(83,385)	(84,315)	(42,617)	(44,726)

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Tax effect of expenses that are not deductible for tax purposes *(b)*	5,175	6,086	5,804	2,892	1,687
Tax effect of recovery of loans that were deducted in previous years	1,400	2,915	8,020	3,585	5,730
Current-year losses for which no deferred tax asset is recognised	–	–	–	–	20,000
Adjustments for current tax of prior periods	–	–	–	–	15,713
Income tax expense	40,683	44,997	65,151	36,670	85,150

(a) The Group's non-taxable income mainly represents interest income arising from government bonds and monetary fund which is non-taxable in accordance with the PRC tax laws.

(b) The Group's expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as insurance fees for customer deposits, non-public welfare donation expenses, staff cost and entertainment expenses, which exceed the tax deductible limits pursuant to the PRC Laws.

15 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit for the year/period attributable to shareholders of the Group by the weighted average number of ordinary shares in issue during the year/period.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Net profit attributable to shareholders of the Group (RMB'000)	352,512	437,710	468,472	240,835	284,249
Weighted average number of ordinary shares issued (thousand shares)	2,822,545	3,900,000	3,900,000	3,900,000	3,900,000
Basic earnings per share (in RMB)	0.12	0.11	0.12	0.06	0.07

According to the resolutions determined in the annual meeting on May 14, 2021, the Group launched the fourth round of capital and share increase. The total ordinary shares reached 3,900 million after the increase. The earnings per share in the year of comparison are recalculated according to the number of adjusted shares.

(b) Diluted earnings per share

For the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, there was no potential diluted ordinary shares, so the diluted earnings per share was the same as the basic earnings per shares.

16 CASH AND BALANCES WITH CENTRAL BANK

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Cash	117,203	138,088	150,530	133,751
Mandatory reserve deposits with central bank	2,774,721	2,959,848	3,520,399	3,931,069
Surplus reserve deposits with central bank	3,972,132	2,485,863	2,902,469	1,221,489
Fiscal deposits with central bank	5,369	602	1,242	1,521
Accrued interest	1,700	2,096	2,329	2,279
Total	6,871,125	5,586,497	6,576,969	5,290,109

The Group is required to place mandatory deposits with central bank. The deposits are calculated based on the amount of deposits placed with the Group by its customers.

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	%	%	%	%
Mandatory reserve rate for deposits denominated in RMB				
– The Bank	6.00%	5.25%	5.00%	5.00%
– Xinglong Bank and Xingyi Bank	5.00%	5.00%	5.00%	5.00%

Mandatory reserve deposits with central bank are not available for use by the Group in its day to day operations.

Surplus reserve deposits are maintained with central bank mainly for liquidity purpose.

The Bank

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Cash	93,412	109,749	108,925	109,765
Mandatory reserve deposits with central bank	2,517,686	2,674,593	3,202,638	3,597,162
Surplus reserve deposits with central bank	3,613,006	2,125,066	2,596,460	1,141,765
Fiscal deposits with central bank	4,789	480	872	274
Accrued interest	1,558	1,944	2,162	2,137
Total	6,230,451	4,911,832	5,911,057	4,851,103

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS, DUE FROM OTHER BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Deposits with domestic banks and other financial institutions	1,353,030	1,542,970	2,459,762	2,979,563
Placements with domestic banks and other financial institutions	2,026,667	916,667	1,526,667	1,326,667
Financial assets held under resale agreements	990,191	4,316,507	1,869,499	2,476,527
Accrued interest	7,924	14,087	7,431	9,294
Less: ECL allowance	(259,747)	(262,645)	(262,746)	(285,621)
Total	4,118,065	6,527,586	5,600,613	6,506,430

As at December 31, 2021, 2022, 2023 and June 30, 2024, the expected credit loss rates for financial assets held under resale agreements, due from other banks and other financial institutions measured at amortised cost of the Group were 5.93%, 3.87%, 4.48% and 4.21%, respectively.

The Bank

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Deposits with domestic banks and other financial institutions	491,350	242,732	309,653	1,839,973
Placements with domestic banks and other financial institutions	1,600,000	490,000	1,526,667	1,326,667
Financial assets held under resale agreements	696,570	4,117,193	1,795,465	1,905,375
Accrued interest	4,329	6,130	2,741	4,882
Less: ECL allowance	(2,818)	(5,462)	(260,874)	(284,329)
Total	2,789,431	4,850,593	3,373,652	4,792,568

As at December 31, 2021, 2022, 2023 and June 30, 2024, the expected credit loss rates for financial assets held under resale agreements, due from other banks and other financial institutions measured at amortised cost of the Bank were 0.10%, 0.11%, 7.18% and 5.60%, respectively.

As at December 31, 2021, 2022, 2023 and June 30, 2024, the Group included the predominant majority of its financial assets held under resale agreements, due from other banks and other financial institutions under Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months. As at December 31, 2021, 2022, 2023 and June 30, 2024, the amount of financial assets held under resale agreements, due from other banks and other financial institutions under Stage 3 was RMB426,667 thousand, RMB426,667 thousand, RMB426,667 thousand and RMB426,667 thousand respectively, with the ECL allowance amounting to RMB256,000 thousand, RMB256,000 thousand, RMB256,000 thousand and RMB279,031 thousand respectively.

As at December 31, 2021, 2022, 2023 and June 30, 2024, the Group's collateral for financial assets held under resale agreements are all bonds.

As at December 31, 2021, 2022, 2023 and June 30, 2024, the Group did not use financial assets held under resale agreements as pledged assets for repurchase agreements with other financial institutions. The collateral received by the Group under resale agreements is presented in Note 38.

18 LOANS AND ADVANCES TO CUSTOMERS

The Group

(a) Analysis of loans and advances to customers by measurement category

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Loans and advances to customers at amortised cost				
– Corporate loans	28,037,784	34,485,466	39,162,218	41,905,367
– Personal loans	5,712,740	5,012,595	4,917,140	4,911,024
Accrued interest	128,202	292,969	351,662	312,658
Total Loans and advances to customers at amortised cost	33,878,726	39,791,030	44,431,020	47,129,049
Less: ECL allowance	(1,595,118)	(1,648,580)	(2,368,317)	(2,407,259)
Net Loans and advances to customers at amortised cost	32,283,608	38,142,450	42,062,703	44,721,790
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	432,341	304,034	482,197	680,283
– Rediscounted bills	1,249,867	3,864,443	6,829,980	7,323,518
Net Loans and advances to customers	33,965,816	42,310,927	49,374,880	52,725,591

The ECL allowance of loans and advances to customers at fair value through other comprehensive income of the Group are shown as follows, and were credited to other comprehensive income.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
ECL allowance of loans and advances to customers at fair value through other comprehensive income	2,380	3,551	6,055	8,849

(b) Movements of ECL allowance

Loans and advances to customers at amortised cost

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2021	508,062	108,113	461,252	1,077,427
Financial assets transferred out or settled during the year	(194,470)	(18,042)	(58,973)	(271,485)
New financial assets originated or purchased	544,652	–	–	544,652
Remeasurement	39,645	101,010	119,061	259,716
Written-off	–	–	(160,600)	(160,600)
Recovery of loans and advances written-off	–	–	12,935	12,935
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	34,725	(30,593)	(4,132)	–
– *Transfer to Stage 2*	(44,707)	46,512	(1,805)	–
– *Transfer to Stage 3*	(10,512)	(8,032)	18,544	–
Loss allowance as at December 31, 2021	877,395	198,968	386,282	1,462,645

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2021	16,868	9,194	138,027	164,089
Financial assets transferred out or settled during the year	(8,268)	(1,695)	(28,568)	(38,531)
New financial assets originated or purchased	11,711	–	–	11,711
Remeasurement	(3,591)	15,898	70,485	82,792
Written-off	–	–	(96,494)	(96,494)

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Recovery of loans and advances written-off	–	–	8,906	8,906
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	7,890	(1,503)	(6,387)	–
– *Transfer to Stage 2*	(459)	1,632	(1,173)	–
– *Transfer to Stage 3*	(537)	(4,821)	5,358	–
Loss allowance as at December 31, 2021	23,614	18,705	90,154	132,473

Corporate Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	877,395	198,968	386,282	1,462,645
Financial assets transferred out or settled during the year	(231,159)	(36,030)	(145,220)	(412,409)
New financial assets originated or purchased	341,440	–	–	341,440
Remeasurement	8,258	53,438	247,007	308,703
Written-off	–	–	(230,885)	(230,885)
Recovery of loans and advances written-off	–	–	32,822	32,822
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	2,496	(1,650)	(846)	–
– *Transfer to Stage 2*	(23,232)	25,388	(2,156)	–
– *Transfer to Stage 3*	(15,064)	(14,151)	29,215	–
Loss allowance as at December 31, 2022	960,134	225,963	316,219	1,502,316

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2022	23,614	18,705	90,154	132,473
Financial assets transferred out or settled during the year	(9,440)	(4,237)	(5,831)	(19,508)
New financial assets originated or purchased	6,652	–	–	6,652
Remeasurement	(842)	4,359	44,108	47,625
Written-off	–	–	(29,541)	(29,541)
Recovery of loans and advances written-off	–	–	8,563	8,563
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	1,736	(1,272)	(464)	–
– *Transfer to Stage 2*	(542)	4,371	(3,829)	–
– *Transfer to Stage 3*	(549)	(10,785)	11,334	–
Loss allowance as at December 31, 2022	20,629	11,141	114,494	146,264

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2023	960,134	225,963	316,219	1,502,316
Financial assets transferred out or settled during the year	(379,731)	(65,628)	(24,753)	(470,112)
New financial assets originated or purchased	504,851	–	–	504,851
Remeasurement	132,740	159,269	526,396	818,405
Written-off	–	–	(195,665)	(195,665)
Recovery of loans and advances written-off	–	–	27,047	27,047

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	6,728	(6,728)	–	–
– *Transfer to Stage 2*	(21,937)	55,638	(33,701)	–
– *Transfer to Stage 3*	(68,576)	(88,504)	157,080	–
Loss allowance as at December 31, 2023	1,134,209	280,010	772,623	2,186,842

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2023	20,629	11,141	114,494	146,264
Financial assets transferred out or settled during the year	(8,593)	(4,288)	(7,989)	(20,870)
New financial assets originated or purchased	9,401	–	–	9,401
Remeasurement	5,666	16,251	19,695	41,612
Written-off	–	–	(15,726)	(15,726)
Recovery of loans and advances written-off	–	–	20,794	20,794
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	1,927	(1,927)	–	–
– *Transfer to Stage 2*	(525)	1,207	(682)	–
– *Transfer to Stage 3*	(221)	(2,296)	2,517	–
Loss allowance as at December 31, 2023	28,284	20,088	133,103	181,475

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2024	1,134,209	280,010	772,623	2,186,842
Financial assets transferred out or settled during the period	(194,223)	(9,883)	(66,958)	(271,064)
New financial assets originated or purchased	311,796	–	–	311,796
Remeasurement	9,842	52,629	155,355	217,826
Written-off	–	–	(227,783)	(227,783)
Recovery of loans and advances written-off	–	–	23,357	23,357
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	8,105	(8,105)	–	–
– *Transfer to Stage 2*	(98,092)	98,092	–	–
– *Transfer to Stage 3*	(12,575)	(131,045)	143,620	–
Loss allowance as at June 30, 2024	1,159,062	281,698	800,214	2,240,974

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2024	28,284	20,088	133,103	181,475
Financial assets transferred out or settled during the period	(5,789)	(4,066)	(9,876)	(19,731)
New financial assets originated or purchased	11,166	–	–	11,166
Remeasurement	9,872	5,363	19,867	35,102
Written-off	–	–	(52,181)	(52,181)
Recovery of loans and advances written-off	–	–	10,454	10,454

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	944	(944)	–	–
– Transfer to Stage 2	(1,020)	1,025	(5)	–
– Transfer to Stage 3	(449)	(6,878)	7,327	–
Loss allowance as at June 30, 2024	43,008	14,588	108,689	166,285

(c) Movements of carrying amount

The following table further illustrates the changes in the total book value of the corporate and personal loan portfolio to explain the impact of these changes on the portfolio's ECL.

Corporate Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2021	19,018,893	512,016	811,341	20,342,250
Financial assets transferred out or settled during the year	(9,580,974)	(87,035)	(186,855)	(9,854,864)
New financial assets originated or purchased	17,824,859	–	–	17,824,859
Written-off	–	–	(160,600)	(160,600)
Carrying amount transfer of stages:				
– Transfer to Stage 1	150,990	(142,119)	(8,871)	–
– Transfer to Stage 2	(673,777)	677,787	(4,010)	–
– Transfer to Stage 3	(181,970)	(34,391)	216,361	–
Total carrying amount as at December 31, 2021	26,558,021	926,258	667,366	28,151,645

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2021	5,300,594	57,678	267,540	5,625,812
Financial assets transferred out or settled during the year	(2,522,964)	(18,472)	(54,049)	(2,595,485)
New financial assets originated or purchased	2,793,248	–	–	2,793,248
Written-off	–	–	(96,494)	(96,494)
Carrying amount transfer of stages:				
– *Transfer to Stage 1*	21,040	(7,748)	(13,292)	–
– *Transfer to Stage 2*	(116,069)	118,080	(2,011)	–
– *Transfer to Stage 3*	(41,905)	(30,076)	71,981	–
Total carrying amount as at December 31, 2021	5,433,944	119,462	173,675	5,727,081

Corporate Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2022	26,558,021	926,258	667,366	28,151,645
Financial assets transferred out or settled during the year	(9,849,112)	(145,643)	(235,706)	(10,230,461)
New financial assets originated or purchased	17,074,614	–	–	17,074,614
Written-off	–	–	(230,885)	(230,885)
Carrying amount transfer of stages:				
– *Transfer to Stage 1*	14,533	(13,123)	(1,410)	–
– *Transfer to Stage 2*	(511,235)	516,028	(4,793)	–
– *Transfer to Stage 3*	(382,109)	(65,601)	447,710	–
Total carrying amount as at December 31, 2022	32,904,712	1,217,919	642,282	34,764,913

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2022	5,433,944	119,462	173,675	5,727,081
Financial assets transferred out or settled during the year	(2,397,450)	(39,832)	(26,511)	(2,463,793)
New financial assets originated or purchased	1,792,370	–	–	1,792,370
Written-off	–	–	(29,541)	(29,541)
Carrying amount transfer of stages:				
– *Transfer to Stage 1*	16,086	(15,358)	(728)	–
– *Transfer to Stage 2*	(82,788)	89,375	(6,587)	–
– *Transfer to Stage 3*	(58,324)	(50,702)	109,026	–
Total carrying amount as at December 31, 2022	4,703,838	102,945	219,334	5,026,117

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2023	32,904,712	1,217,919	642,282	34,764,913
Financial assets transferred out or settled during the year	(15,284,641)	(337,709)	(52,410)	(15,674,760)
New financial assets originated or purchased	20,600,091	–	–	20,600,091
Written-off	–	–	(195,665)	(195,665)
Carrying amount transfer of stages:				
– *Transfer to Stage 1*	49,646	(49,646)	–	–
– *Transfer to Stage 2*	(574,555)	642,014	(67,459)	–
– *Transfer to Stage 3*	(507,890)	(263,656)	771,546	–
Total carrying amount as at December 31, 2023	37,187,363	1,208,922	1,098,294	39,494,579

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2023	4,703,838	102,945	219,334	5,026,117
Financial assets transferred out or settled during the year	(2,008,496)	(37,899)	(16,045)	(2,062,440)
New financial assets originated or purchased	1,988,490	–	–	1,988,490
Written-off	–	–	(15,726)	(15,726)
Carrying amount transfer of stages:				
– Transfer to Stage 1	29,736	(29,736)	–	–
– Transfer to Stage 2	(71,420)	72,592	(1,172)	–
– Transfer to Stage 3	(26,665)	(17,014)	43,679	–
Total carrying amount as at December 31, 2023	4,615,483	90,888	230,070	4,936,441

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2024	37,187,363	1,208,922	1,098,294	39,494,579
Financial assets transferred out or settled during the period	(8,742,313)	(83,001)	(134,469)	(8,959,783)
New financial assets originated or purchased	11,892,526	–	–	11,892,526
Written-off	–	–	(227,783)	(227,783)
Carrying amount transfer of stages:				
– Transfer to Stage 1	82,280	(82,280)	–	–
– Transfer to Stage 2	(633,165)	633,165	–	–
– Transfer to Stage 3	(156,736)	(347,348)	504,084	–
Total carrying amount as at June 30, 2024	39,629,955	1,329,458	1,240,126	42,199,539

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2024	4,615,483	90,888	230,070	4,936,441
Financial assets transferred out or settled during the period	(1,071,826)	(25,103)	(18,636)	(1,115,565)
New financial assets originated or purchased	1,160,815	–	–	1,160,815
Written-off	–	–	(52,181)	(52,181)
Carrying amount transfer of stages:				
– *Transfer to Stage 1*	8,947	(8,947)	–	–
– *Transfer to Stage 2*	(63,368)	63,375	(7)	–
– *Transfer to Stage 3*	(15,219)	(25,330)	40,549	–
Total carrying amount as at June 30, 2024	4,634,832	94,883	199,795	4,929,510

For the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2024, all the loans and advances to customers at fair value through other comprehensive income were in stage 1.

(d) Loans listed by assessment method for allowance

As at December 31, 2021

	ECL allowance			
	Stage 1	Stage 2	Stage 3	Total
Total loans and advances to customers	31,991,965	1,045,720	841,041	33,878,726
– Corporate loans	26,558,021	926,258	667,366	28,151,645
– Personal loans	5,433,944	119,462	173,675	5,727,081
Less: ECL allowance	(901,009)	(217,673)	(476,436)	(1,595,118)
Net Loans and advances to customers	31,090,956	828,047	364,605	32,283,608

As at December 31, 2022

	ECL allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total loans and advances to customers	37,608,550	1,320,864	861,616	39,791,030
– Corporate loans	32,904,712	1,217,919	642,282	34,764,913
– Personal loans	4,703,838	102,945	219,334	5,026,117
Less: ECL allowance	(980,763)	(237,104)	(430,713)	(1,648,580)
Net Loans and advances to customers	36,627,787	1,083,760	430,903	38,142,450

As at December 31, 2023

	ECL allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total loans and advances to customers	41,802,846	1,299,810	1,328,364	44,431,020
– Corporate loans	37,187,363	1,208,922	1,098,294	39,494,579
– Personal loans	4,615,483	90,888	230,070	4,936,441
Less: ECL allowance	(1,162,493)	(300,098)	(905,726)	(2,368,317)
Net Loans and advances to customers	40,640,353	999,712	422,638	42,062,703

As at June 30, 2024

	ECL allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total loans and advances to customers	44,264,787	1,424,341	1,439,921	47,129,049
– Corporate loans	39,629,955	1,329,458	1,240,126	42,199,539
– Personal loans	4,634,832	94,883	199,795	4,929,510
Less: ECL allowance	(1,202,070)	(296,286)	(908,903)	(2,407,259)
Net Loans and advances to customers	43,062,717	1,128,055	531,018	44,721,790

As at December 31, 2021, 2022, 2023 and June 30, 2024, the expected credit loss rates for the loans and advances to customers measured at amortised cost of the Group were 4.71%, 4.14%, 5.33% and 5.11%, respectively.

The Bank

(a) Analysis of loans and advances to customers by measurement category

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Loans and advances to customers at amortised cost				
– Corporate loans	24,645,343	30,761,058	36,010,771	38,600,438
– Personal loans	4,134,809	3,455,967	3,093,616	3,131,873
Accrued interest	110,043	240,013	318,168	278,568
Total loans and advances to customers at amortised cost	28,890,195	34,457,038	39,422,555	42,010,879
Less: ECL allowance	(1,309,971)	(1,355,300)	(2,044,050)	(2,094,594)
Net loans and advances to customers at amortised cost	27,580,224	33,101,738	37,378,505	39,916,285
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	431,351	297,983	482,197	650,797
– Rediscounted bills	1,208,877	3,807,827	6,829,980	7,300,017
Net Loans and advances to customers	29,220,452	37,207,548	44,690,682	47,867,099

The ECL allowance of loans and advances to customers at fair value through other comprehensive income of the Bank are shown as follows, and were credited to other comprehensive income.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
ECL allowance of loans and advances to customers at fair value through other comprehensive income	2,299	3,418	6,055	8,807

(b) Movements of ECL allowance

Loans and advances to customers at amortised cost

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2021	437,769	90,103	337,901	865,773
Financial assets transferred out or settled during the year	(159,002)	(8,654)	(29,852)	(197,508)
New financial assets originated or purchased	496,772	–	–	496,772
Remeasurement	26,250	79,877	83,201	189,328
Written-off	–	–	(116,895)	(116,895)
Recovery of loans and advances written-off	–	–	11,702	11,702
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	26,054	(26,054)	–	–
– Transfer to Stage 2	(39,486)	39,486	–	–
– Transfer to Stage 3	(8,230)	(5,280)	13,510	–
Loss allowance as at December 31, 2021	780,127	169,478	299,567	1,249,172

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2021	11,027	4,212	64,307	79,546
Financial assets transferred out or settled during the year	(4,484)	(930)	(8,900)	(14,314)
New financial assets originated or purchased	7,652	–	–	7,652
Remeasurement	103	13,257	31,497	44,857
Written-off	–	–	(61,509)	(61,509)

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Recovery of loans and advances written-off	–	–	4,567	4,567
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	938	(938)	–	–
– *Transfer to Stage 2*	(188)	188	–	–
– *Transfer to Stage 3*	(63)	(2,058)	2,121	–
Loss allowance as at December 31, 2021	14,985	13,731	32,083	60,799

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2022	780,127	169,478	299,567	1,249,172
Financial assets transferred out or settled during the year	(196,898)	(20,638)	(138,336)	(355,872)
New financial assets originated or purchased	302,712	–	–	302,712
Remeasurement	8,358	38,815	172,840	220,013
Written-off	–	–	(167,012)	(167,012)
Recovery of loans and advances written-off	–	–	27,900	27,900
Changes of ECL arising from transfer of stages:				
– *Transfer to Stage 1*	–	–	–	–
– *Transfer to Stage 2*	(19,826)	19,826	–	–
– *Transfer to Stage 3*	(9,473)	(5,312)	14,785	–
Loss allowance as at December 31, 2022	865,000	202,169	209,744	1,276,913

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2022	14,985	13,731	32,083	60,799
Financial assets transferred out or settled during the year	(6,355)	(2,860)	(727)	(9,942)
New financial assets originated or purchased	2,544	–	–	2,544
Remeasurement	(2,154)	3,099	37,740	38,685
Written-off	–	–	(17,987)	(17,987)
Recovery of loans and advances written-off	–	–	4,288	4,288
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	292	(292)	–	–
– Transfer to Stage 2	(186)	186	–	–
– Transfer to Stage 3	(426)	(10,141)	10,567	–
Loss allowance as at December 31, 2022	8,700	3,723	65,964	78,387

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2023	865,000	202,169	209,744	1,276,913
Financial assets transferred out or settled during the year	(315,949)	(54,545)	(17,659)	(388,153)
New financial assets originated or purchased	449,133	–	–	449,133
Remeasurement	122,255	171,918	478,325	772,498
Written-off	–	–	(177,065)	(177,065)
Recovery of loans and advances written-off	–	–	19,911	19,911

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	3,810	(3,810)	–	–
– Transfer to Stage 2	(17,625)	17,625	–	–
– Transfer to Stage 3	(59,806)	(81,976)	141,782	–
Loss allowance as at December 31, 2023	1,046,818	251,381	655,038	1,953,237

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2023	8,700	3,723	65,964	78,387
Financial assets transferred out or settled during the year	(2,761)	(1,546)	(2,805)	(7,112)
New financial assets originated or purchased	3,347	–	–	3,347
Remeasurement	1,383	4,724	7,119	13,226
Written-off	–	–	(11,792)	(11,792)
Recovery of loans and advances written-off	–	–	14,757	14,757
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	64	(64)	–	–
– Transfer to Stage 2	(112)	112	–	–
– Transfer to Stage 3	(74)	(951)	1,025	–
Loss allowance as at December 31, 2023	10,547	5,998	74,268	90,813

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2024	1,046,818	251,381	655,038	1,953,237
Financial assets transferred out or settled during the period	(162,692)	(6,764)	(53,397)	(222,853)
New financial assets originated or purchased	282,846	–	–	282,846
Remeasurement	13,760	48,828	105,004	167,592
Written-off	–	–	(200,498)	(200,498)
Recovery of loans and advances written-off	–	–	22,084	22,084
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	7,573	(7,573)	–	–
– Transfer to Stage 2	(97,340)	97,340	–	–
– Transfer to Stage 3	(6,897)	(116,607)	123,504	–
Loss allowance as at June 30, 2024	1,084,068	266,605	651,735	2,002,408

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2024	10,547	5,998	74,268	90,813
Financial assets transferred out or settled during the period	(2,087)	(211)	(4,159)	(6,457)
New financial assets originated or purchased	5,314	–	–	5,314
Remeasurement	(1,153)	3,053	22,549	24,449
Written-off	–	–	(29,470)	(29,470)
Recovery of loans and advances written-off	–	–	7,537	7,537

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Changes of ECL arising from transfer of stages:				
– Transfer to Stage 1	16	(16)	–	–
– Transfer to Stage 2	(249)	249	–	–
– Transfer to Stage 3	(398)	(3,159)	3,557	–
Loss allowance as at June 30, 2024	11,990	5,914	74,282	92,186

(c) Movements of carrying amount

The following table further illustrates the changes in the total book value of the corporate and personal loan portfolio to explain the impact of these changes on the portfolio's ECL.

Corporate Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2021	15,996,220	433,146	552,535	16,981,901
Financial assets transferred out or settled during the year	(7,983,695)	(46,634)	(114,197)	(8,144,526)
New financial assets originated or purchased	16,025,789	–	–	16,025,789
Written-off	–	–	(116,895)	(116,895)
Carrying amount transfer of stages:				
– Transfer to Stage 1	122,652	(122,652)	–	–
– Transfer to Stage 2	(539,821)	539,821	–	–
– Transfer to Stage 3	(141,977)	(21,380)	163,357	–
Total carrying amount as at December 31, 2021	23,479,168	782,301	484,800	24,746,269

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2021	3,493,133	27,034	120,671	3,640,838
Financial assets transferred out or settled during the year	(1,297,215)	(13,717)	(22,645)	(1,333,577)
New financial assets originated or purchased	1,898,174	–	–	1,898,174
Written-off	–	–	(61,509)	(61,509)
Carrying amount transfer of stages:				
– Transfer to Stage 1	4,072	(4,072)	–	–
– Transfer to Stage 2	(68,641)	68,641	–	–
– Transfer to Stage 3	(10,749)	(11,988)	22,737	–
Total carrying amount as at December 31, 2021	4,018,774	65,898	59,254	4,143,926

Corporate Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2022	23,479,168	782,301	484,800	24,746,269
Financial assets transferred out or settled during the year	(8,483,717)	(72,007)	(215,576)	(8,771,300)
New financial assets originated or purchased	15,186,684	–	–	15,186,684
Written-off	–	–	(167,012)	(167,012)
Carrying amount transfer of stages:				
– Transfer to Stage 1	–	–	–	–
– Transfer to Stage 2	(409,712)	409,712	–	–
– Transfer to Stage 3	(297,244)	(23,284)	320,528	–
Total carrying amount as at December 31, 2022	29,475,179	1,096,722	422,740	30,994,641

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2022	4,018,774	65,898	59,254	4,143,926
Financial assets transferred out or settled during the year	(1,647,373)	(17,014)	(11,302)	(1,675,689)
New financial assets originated or purchased	1,012,147	–	–	1,012,147
Written-off	–	–	(17,987)	(17,987)
Carrying amount transfer of stages:				
– Transfer to Stage 1	1,606	(1,606)	–	–
– Transfer to Stage 2	(26,043)	26,043	–	–
– Transfer to Stage 3	(46,981)	(47,077)	94,058	–
Total carrying amount as at December 31, 2022	3,312,130	26,244	124,023	3,462,397

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2023	29,475,179	1,096,722	422,740	30,994,641
Financial assets transferred out or settled during the year	(12,585,019)	(286,900)	(31,801)	(12,903,720)
New financial assets originated or purchased	18,410,177	–	–	18,410,177
Written-off	–	–	(177,065)	(177,065)
Carrying amount transfer of stages:				
– Transfer to Stage 1	17,469	(17,469)	–	–
– Transfer to Stage 2	(519,329)	519,329	–	–
– Transfer to Stage 3	(439,686)	(237,244)	676,930	–
Total carrying amount as at December 31, 2023	34,358,791	1,074,438	890,804	36,324,033

Personal Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2023	3,312,130	26,244	124,023	3,462,397
Financial assets transferred out or settled during the year	(1,166,807)	(10,592)	(5,577)	(1,182,976)
New financial assets originated or purchased	830,893	–	–	830,893
Written-off	–	–	(11,792)	(11,792)
Carrying amount transfer of stages:				
– *Transfer to Stage 1*	475	(475)	–	–
– *Transfer to Stage 2*	(25,031)	25,031	–	–
– *Transfer to Stage 3*	(14,666)	(7,280)	21,946	–
Total carrying amount as at December 31, 2023	2,936,994	32,928	128,600	3,098,522

Corporate Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total carrying amount as at January 1, 2024	34,358,791	1,074,438	890,804	36,324,033
Financial assets transferred out or settled during the period	(7,655,261)	(68,280)	(105,737)	(7,829,278)
New financial assets originated or purchased	10,580,361	–	–	10,580,361
Written-off	–	–	(200,498)	(200,498)
Carrying amount transfer of stages:				
– *Transfer to Stage 1*	80,277	(80,277)	–	–
– *Transfer to Stage 2*	(604,703)	604,703	–	–
– *Transfer to Stage 3*	(118,328)	(284,950)	403,278	–
Total carrying amount as at June 30, 2024	36,641,137	1,245,634	987,847	38,874,618

Personal Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total carrying amount as at January 1, 2024	2,936,994	32,928	128,600	3,098,522
Financial assets transferred out or settled during the period	(591,995)	(2,637)	(8,655)	(603,287)
New financial assets originated or purchased	670,496	–	–	670,496
Written-off	–	–	(29,470)	(29,470)
Carrying amount transfer of stages:				
– Transfer to Stage 1	214	(214)	–	–
– Transfer to Stage 2	(16,766)	16,766	–	–
– Transfer to Stage 3	(37,388)	(14,300)	51,688	–
Total carrying amount as at June 30, 2024	2,961,555	32,543	142,163	3,136,261

For the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2024, all loans and advances to customers at fair value through other comprehensive income were in stage 1.

(d) Loans listed by assessment method for allowance

As at December 31, 2021

	ECL allowance			
	Stage 1	Stage 2	Stage 3	Total
Total loans and advances to customers	27,497,942	848,199	544,054	28,890,195
– Corporate loans	23,479,168	782,301	484,800	24,746,269
– Personal loans	4,018,774	65,898	59,254	4,143,926
Less: ECL allowance	(795,112)	(183,209)	(331,650)	(1,309,971)
Net loans and advances to customers	26,702,830	664,990	212,404	27,580,224

As at December 31, 2022

	ECL allowance			
	Stage 1	Stage 2	Stage 3	Total
Total loans and advances to customers	32,787,309	1,122,966	546,763	34,457,038
– Corporate loans	29,475,179	1,096,722	422,740	30,994,641
– Personal loans	3,312,130	26,244	124,023	3,462,397
Less: ECL allowance	(873,700)	(205,892)	(275,708)	(1,355,300)
Net loans and advances to customers	31,913,609	917,074	271,055	33,101,738

As at December 31, 2023

	ECL allowance			
	Stage 1	Stage 2	Stage 3	Total
Total loans and advances to customers	37,295,785	1,107,366	1,019,404	39,422,555
– Corporate loans	34,358,791	1,074,438	890,804	36,324,033
– Personal loans	2,936,994	32,928	128,600	3,098,522
Less: ECL allowance	(1,057,365)	(257,379)	(729,306)	(2,044,050)
Net loans and advances to customers	36,238,420	849,987	290,098	37,378,505

As at June 30, 2024

	ECL allowance			
	Stage 1	Stage 2	Stage 3	Total
Total loans and advances to customers	39,602,692	1,278,177	1,130,010	42,010,879
– Corporate loans	36,641,137	1,245,634	987,847	38,874,618
– Personal loans	2,961,555	32,543	142,163	3,136,261
Less: ECL allowance	(1,096,058)	(272,519)	(726,017)	(2,094,594)
Net loans and advances to customers	38,506,634	1,005,658	403,993	39,916,285

As at December 31, 2021, 2022, 2023 and June 30, 2024, the expected credit loss rates for the loans and advances to customers measured at amortised cost of the Bank were 4.53%, 3.93%, 5.18% and 4.99%, respectively.

19 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31, 2021	2022	2023	As at June 30, 2024
Financial assets – fair value through profit or loss				
– Asset management plans	559,387	406,851	221,074	191,004
– Debt securities (a)	3,954,159	5,583,647	5,231,603	5,385,770
– Unlisted stocks	–	33,190	35,375	33,772
– Funds	–	200,059	480,647	1,184,682
– Wealth management products	–	–	300,090	–
Total	4,513,546	6,223,747	6,268,789	6,795,228

(a) Debt securities

	As at December 31, 2021	2022	2023	As at June 30, 2024
Governments	933,306	1,442,559	1,074,605	982,989
Financial institutions	1,310,623	2,715,461	2,603,668	3,013,384
Corporates	1,710,230	1,425,627	1,553,330	1,389,397
Total	3,954,159	5,583,647	5,231,603	5,385,770

The Bank

	As at December 31, 2021	2022	2023	As at June 30, 2024
Financial assets – fair value through profit or loss				
– Asset management plans	2,333,165	2,078,773	2,573,445	2,887,102
– Debt securities (a)	2,234,711	3,946,331	3,784,727	4,233,234
– Unlisted stocks	–	33,190	35,375	33,772
– Funds	–	200,060	200,099	202,677
– Wealth management products	–	–	300,090	–
Total	4,567,876	6,258,354	6,893,736	7,356,785

(a) Debt securities

	As at December 31, 2021	2022	2023	As at June 30, 2024
Governments	638,869	1,147,522	777,933	680,465
Financial institutions	849,623	2,150,852	2,058,197	2,675,705
Corporates	746,219	647,957	948,597	877,064
Total	2,234,711	3,946,331	3,784,727	4,233,234

20 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Bank

	As at December 31, 2021	2022	2023	As at June 30, 2024
Debt securities issued by:				
– Governments	3,911,414	2,540,514	3,776,440	4,519,358
– Financial institutions	677,800	2,144,871	4,074,443	5,123,528
– Corporates	1,234,728	673,805	1,087,142	1,056,300
Interbank certificates of deposit	5,860,993	4,658,443	6,832,202	9,552,476
Accrued interest	74,079	118,396	175,663	143,723
Total	11,759,014	10,136,029	15,945,890	20,395,385

(a) Movements of ECL allowance

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2021	837	24,163	–	25,000
Originated or purchased	3,049	–	–	3,049
Repayment and transfer out	(817)	(1,238)	–	(2,055)
Remeasurement	(1,825)	(11,789)	–	(13,614)
Net transfers in:				
– Stage 1	2,147	–	–	2,147
– Stage 2	–	(2,147)	–	(2,147)
– Stage 3	–	–	–	–
As at December 31, 2021	3,391	8,989	–	12,380

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2022	3,391	8,989	–	12,380
Originated or purchased	404	–	–	404
Repayment and transfer out	(2,231)	(225)	–	(2,456)
Remeasurement	(8,937)	–	248,534	239,597
Net transfers in:				
– Stage 1	7,857	–	–	7,857
– Stage 2	–	(8,764)	–	(8,764)
– Stage 3	–	–	907	907
As at December 31, 2022	484	–	249,441	249,925
As at January 1, 2023	484	–	249,441	249,925
Originated or purchased	3,884	–	–	3,884
Repayment and transfer out	(359)	(12)	–	(371)
Remeasurement	9	12,154	40,498	52,661
Net transfers in:				
– Stage 1	(126)	–	–	(126)
– Stage 2	–	126	–	126
– Stage 3	–	–	–	–
As at December 31, 2023	3,892	12,268	289,939	306,099
As at January 1, 2024	3,892	12,268	289,939	306,099
Originated or purchased	12,513	–	–	12,513
Repayment and transfer out	(2,077)	(1,024)	–	(3,101)
Remeasurement	3,597	775	19,213	23,585
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at June 30, 2024	17,925	12,019	309,152	339,096

(b) Movements of carrying amount

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2021	6,996,804	653,300	–	7,650,104
Originated or purchased	8,142,152	–	–	8,142,152
Repayment, transfer out and fair value change	(3,838,436)	(194,806)	–	(4,033,242)

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
Net transfers in:				
– Stage 1	(47,163)	–	–	(47,163)
– Stage 2	–	47,163	–	47,163
– Stage 3	–	–	–	–
As at December 31, 2021	11,253,357	505,657	–	11,759,014
As at January 1, 2022	11,253,357	505,657	–	11,759,014
Originated or purchased	7,783,644	–	–	7,783,644
Repayment, transfer out and fair value change	(9,290,415)	(80,153)	(36,062)	(9,406,630)
Net transfers in:				
– Stage 1	313,993	–	–	313,993
– Stage 2	–	(425,504)	–	(425,504)
– Stage 3	–	–	111,512	111,512
As at December 31, 2022	10,060,579	–	75,450	10,136,029
As at January 1, 2023	10,060,579	–	75,450	10,136,029
Originated or purchased	11,713,016	–	–	11,713,016
Repayment, transfer out and fair value change	(5,862,070)	(38,170)	(2,915)	(5,903,155)
Net transfers in:				
– Stage 1	(718,656)	–	–	(718,656)
– Stage 2	–	718,656	–	718,656
– Stage 3	–	–	–	–
As at December 31, 2023	15,192,869	680,486	72,535	15,945,890
As at January 1, 2024	15,192,869	680,486	72,535	15,945,890
Originated or purchased	10,007,328	–	–	10,007,328
Repayment, transfer out and fair value change	(5,439,279)	(101,483)	(17,071)	(5,557,833)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at June 30, 2024	19,760,918	579,003	55,464	20,395,385

21 FINANCIAL INVESTMENTS – AMORTISED COST

The Group

	As at December 31, 2021	2022	2023	As at June 30, 2024
Debt securities *(a)*				
– Listed outside Hong Kong	5,279,705	7,655,256	7,631,700	6,520,184
Debt financing instruments	70,000	–	–	–
Accrued interest	133,748	152,230	151,969	70,756
Less: ECL allowance *(b)*	(1,835)	–	(40)	(46)
Total	5,481,618	7,807,486	7,783,629	6,590,894

(a) Debt securities

	As at December 31, 2021	2022	2023	As at June 30, 2024
Issued by:				
– Governments	3,702,494	4,708,195	4,707,754	4,707,552
– Financial institutions	1,577,211	2,947,061	2,923,946	1,812,632
Total	5,279,705	7,655,256	7,631,700	6,520,184

The debt securities that the Group invested were all government bonds, provincial government debts, China Development Bank and policy bank debts.

(b) Movements of ECL allowance:

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2021	–	–	–	–
Originated or purchased	13	–	–	13
Repayment and transfer out	–	–	–	–
Remeasurement	–	1,822	–	1,822

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
Net transfers in:				
– Stage 1	(13)	–	–	(13)
– Stage 2	–	13	–	13
– Stage 3	–	–	–	–
As at December 31, 2021	–	1,835	–	1,835
As at January 1, 2022	–	1,835	–	1,835
Originated or purchased	–	–	–	–
Repayment and transfer out	–	–	(31,464)	(31,464)
Remeasurement	–	–	29,629	29,629
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	(1,835)	–	(1,835)
– Stage 3	–	–	1,835	1,835
As at December 31, 2022	–	–	–	–
As at January 1, 2023	–	–	–	–
Originated or purchased	–	–	–	–
Repayment and transfer out	–	–	–	–
Remeasurement	40	–	–	40
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at December 31, 2023	40	–	–	40
As at January 1, 2024	40	–	–	40
Originated or purchased	–	–	–	–
Repayment and transfer out	–	–	–	–
Remeasurement	6	–	–	6
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at June 30, 2024	46	–	–	46

As at December 31, 2021, 2022, 2023 and June 30, 2024, the expected credit loss rates for financial investments measured at amortised cost of the Group were 0.03%, 0.00%, 0.00% and 0.00%, respectively.

(c) Movements of carrying amount:

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2021	2,918,211	–	–	2,918,211
Originated or purchased	2,792,533	–	–	2,792,533
Repayment and transfer out	(227,291)	–	–	(227,291)
Net transfers in:				
– Stage 1	(74,298)	–	–	(74,298)
– Stage 2	–	74,298	–	74,298
– Stage 3	–	–	–	–
As at December 31, 2021	5,409,155	74,298	–	5,483,453
As at January 1, 2022	5,409,155	74,298	–	5,483,453
Originated or purchased	2,853,326	–	–	2,853,326
Repayment and transfer out	(454,995)	–	(74,298)	(529,293)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	(74,298)	–	(74,298)
– Stage 3	–	–	74,298	74,298
As at December 31, 2022	7,807,486	–	–	7,807,486
As at January 1, 2023	7,807,486	–	–	7,807,486
Originated or purchased	–	–	–	–
Repayment and transfer out	(23,817)	–	–	(23,817)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at December 31, 2023	7,783,669	–	–	7,783,669
As at January 1, 2024	7,783,669	–	–	7,783,669
Originated or purchased	–	–	–	–
Repayment and transfer out	(1,192,729)	–	–	(1,192,729)

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at June 30, 2024	6,590,940	–	–	6,590,940

The Bank

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Debt securities *(a)*				
– Listed outside Hong Kong	5,279,705	7,655,256	7,631,700	6,520,184
Asset management plans	1,390,150	1,356,835	135,100	–
Debt financing instruments	70,000	–	–	–
Accrued interest	135,556	181,916	152,432	70,756
Less: ECL allowance *(b)*	(345,296)	(331,787)	(57,933)	(46)
Total	6,530,115	8,862,220	7,861,299	6,590,894

(a) Debt securities

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Issued by:				
– Governments	3,702,494	4,708,195	4,707,754	4,707,552
– Financial institutions	1,577,211	2,947,061	2,923,946	1,812,632
Total	5,279,705	7,655,256	7,631,700	6,520,184

The debt securities that the Bank invested were all government bonds, provincial government debts, China Development Bank and policy bank debts.

(b) Movements of loss allowance:

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2021	22,826	–	274,725	297,551
Originated or purchased	12	–	–	12
Repayment and transfer out	(2,513)	–	(15,576)	(18,089)
Remeasurement	–	1,822	64,000	65,822
Net transfers in:				
– Stage 1	(13)	–	–	(13)
– Stage 2	–	13	–	13
– Stage 3	–	–	–	–
As at December 31, 2021	20,312	1,835	323,149	345,296
As at January 1, 2022	20,312	1,835	323,149	345,296
Originated or purchased	(5,207)	–	–	(5,207)
Repayment and transfer out	–	–	(37,931)	(37,931)
Remeasurement	–	–	29,629	29,629
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	(1,835)	–	(1,835)
– Stage 3	–	–	1,835	1,835
As at December 31, 2022	15,105	–	316,682	331,787
As at January 1, 2023	15,105	–	316,682	331,787
Originated or purchased	–	–	–	–
Repayment and transfer out	(11,184)	–	(256,000)	(267,184)
Remeasurement	(3,881)	–	(2,789)	(6,670)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at December 31, 2023	40	–	57,893	57,933
As at January 1, 2024	40	–	57,893	57,933
Originated or purchased	–	–	–	–
Repayment and transfer out	–	–	(57,893)	(57,893)
Remeasurement	6	–	–	6
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at June 30, 2024	46	–	–	46

As at December 31, 2021, 2022, 2023 and June 30, 2024, the expected credit loss rates for financial investments measured at amortised cost of the Bank were 5.02%, 3.61%, 0.73% and 0.00%, respectively.

(c) Movements of carrying amount:

	12-month ECL for stage 1	Lifetime ECL for stage 2	Lifetime ECL for stage 3	Total
As at January 1, 2021	4,331,022	–	599,667	4,930,689
Originated or purchased	2,792,492	–	–	2,792,492
Repayment and transfer out	(817,770)	–	(30,000)	(847,770)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	(74,298)	–	–	(74,298)
– Stage 3	–	74,298	–	74,298
As at December 31, 2021	6,231,446	74,298	569,667	6,875,411
As at January 1, 2022	6,231,446	74,298	569,667	6,875,411
Originated or purchased	2,853,326	–	–	2,853,326
Repayment and transfer out	(446,532)	–	(88,198)	(534,730)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	(74,298)	–	(74,298)
– Stage 3	–	–	74,298	74,298
As at December 31, 2022	8,638,240	–	555,767	9,194,007
As at January 1, 2023	8,638,240	–	555,767	9,194,007
Originated or purchased	–	–	–	–
Repayment and transfer out	(844,108)	–	(430,667)	(1,274,775)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at December 31, 2023	7,794,132	–	125,100	7,919,232
As at January 1, 2024	7,794,132	–	125,100	7,919,232
Originated or purchased	–	–	–	–
Repayment and transfer out	(1,203,192)	–	(125,100)	(1,328,292)
Net transfers in:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
As at June 30, 2024	6,590,940	–	–	6,590,940

22 INVESTMENT IN SUBSIDIARIES

The Bank

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Investment cost	259,956	259,956	259,956	259,956

On December 24, 2010, the Bank, together with other investors jointly sponsored the establishment of Xingyi Bank, registered in Yibin city with a registered capital of RMB62.30 million. Xingyi Bank mainly engages in corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by the former CBIRC. On August 5, 2014, the registered capital of Xingyi Bank was increased by RMB62.30 million to RMB124.60 million. On May 31, 2021, the registered capital of Xingyi Bank was increased by RMB175.40 million to RMB300.00 million. As at December 31 2021, 2022, 2023 and June 30, 2024, the Bank owned 53.15% in the equity interest and the shareholders meeting voting rights of Xingyi bank.

On December 24, 2010, the Bank, together with other investors jointly sponsored the establishment of Xinglong Bank, registered in Neijiang city with a registered capital of RMB250 million. Xinglong Bank mainly engages in corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by the former CBIRC. As at December 31, 2021, 2022, 2023 and June 30, 2024, the Bank owned 51.00% in the equity interest and voting rights of Xinglong Bank.

23 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2021	440,192	12,917	128,838	35,723	–	617,670
Addition	7	1,832	20,686	593	–	23,118
Disposal	(1,998)	(2,913)	(3,243)	(1,381)	–	(9,535)
As at December 31, 2021	438,201	11,836	146,281	34,935	–	631,253

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Accumulated depreciation						
As at January 1, 2021	(98,589)	(10,826)	(88,463)	(27,152)	–	(225,030)
Charge for the year	(14,646)	(1,265)	(15,135)	(2,825)	–	(33,871)
Disposal	850	2,913	2,107	1,367	–	7,237
As at December 31, 2021	(112,385)	(9,178)	(101,491)	(28,610)	–	(251,664)
Impairment losses						
As at January 1, 2021	(268)	–	–	–	–	(268)
Charge for the year	–	–	–	–	–	–
As at December 31, 2021	(268)	–	–	–	–	(268)
Net book value						
As at December 31, 2021	325,548	2,658	44,790	6,325	–	379,321

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2022	438,201	11,836	146,281	34,935	–	631,253
Addition	58	237	3,283	3,426	–	7,004
Disposal	(7,340)	(233)	(1,260)	(4,083)	–	(12,916)
As at December 31, 2022	430,919	11,840	148,304	34,278	–	625,341
Accumulated depreciation						
As at January 1, 2022	(112,385)	(9,178)	(101,491)	(28,610)	–	(251,664)
Charge for the year	(14,436)	(896)	(17,219)	(2,994)	–	(35,545)
Disposal	2,068	230	1,127	4,078	–	7,503
As at December 31, 2022	(124,753)	(9,844)	(117,583)	(27,526)	–	(279,706)

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Impairment losses						
As at January 1, 2022	(268)	–	–	–	–	(268)
Charge for the year	(801)	–	–	–	–	(801)
As at December 31, 2022	(1,069)	–	–	–	–	(1,069)
Net book value						
As at December 31, 2022	305,097	1,996	30,721	6,752	–	344,566

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2023	430,919	11,840	148,304	34,278	–	625,341
Addition	4,227	507	10,498	1,339	26,285	42,856
Disposal	(34,790)	(1,159)	(882)	(3,861)	–	(40,692)
As at December 31, 2023	400,356	11,188	157,920	31,756	26,285	627,505
Accumulated depreciation						
As at January 1, 2023	(124,753)	(9,844)	(117,583)	(27,526)	–	(279,706)
Charge for the year	(12,077)	(619)	(14,274)	(2,601)	–	(29,571)
Disposal	14,206	1,158	877	1,832	–	18,073
As at December 31, 2023	(122,624)	(9,305)	(130,980)	(28,295)	–	(291,204)
Impairment losses						
As at January 1, 2023	(1,069)	–	–	–	–	(1,069)
Charge for the year	–	–	–	–	–	–
As at December 31, 2023	(1,069)	–	–	–	–	(1,069)
Net book value						
As at December 31, 2023	276,663	1,883	26,940	3,461	26,285	335,232

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2024	400,356	11,188	157,920	31,756	26,285	627,505
Addition	–	–	917	243	1,521	2,681
Disposal	–	–	(212)	(889)	–	(1,101)
As at June 30, 2024	400,356	11,188	158,625	31,110	27,806	629,085
Accumulated depreciation						
As at January 1, 2024	(122,624)	(9,305)	(130,980)	(28,295)	–	(291,204)
Charge for the period	(6,702)	(336)	(4,783)	(1,218)	–	(13,039)
Disposal	–	–	212	874	–	1,086
As at June 30, 2024	(129,326)	(9,641)	(135,551)	(28,639)	–	(303,157)
Impairment losses						
As at January 1, 2024	(1,069)	–	–	–	–	(1,069)
Charge for the period	–	–	–	–	–	–
As at June 30, 2024	(1,069)	–	–	–	–	(1,069)
Net book value						
As at June 30, 2024	269,961	1,547	23,074	2,471	27,806	324,859

As at December 31, 2021, 2022, 2023 and June 30, 2024, the net amount of buildings, for which registrations for the property ownership certificates had not been completed, were RMB82,148 thousand, RMB74,146 thousand, RMB71,616 thousand and RMB69,605 thousand respectively. However, such registration process does not have material effect on the rights of the Group to these assets. None of the land or property the Group owned is located in Hong Kong.

The Bank

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2021	215,886	7,999	116,204	22,829	–	362,918
Addition	–	1,832	19,791	407	–	22,030
Disposal	(1,152)	(2,707)	(3,143)	(1,233)	–	(8,235)
As at December 31, 2021	214,734	7,124	132,852	22,003	–	376,713

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Accumulated depreciation						
As at January 1, 2021	(67,085)	(6,866)	(79,184)	(16,582)	–	(169,717)
Charge for the year	(7,362)	(928)	(14,048)	(2,139)	–	(24,477)
Disposal	851	2,707	2,007	1,219	–	6,784
As at December 31, 2021	(73,596)	(5,087)	(91,225)	(17,502)	–	(187,410)
Impairment losses						
As at January 1, 2021	(268)	–	–	–	–	(268)
Charge for the year	–	–	–	–	–	–
As at December 31, 2021	(268)	–	–	–	–	(268)
Net book value						
As at December 31, 2021	140,870	2,037	41,627	4,501	–	189,035

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2022	214,734	7,124	132,852	22,003	–	376,713
Addition	–	–	1,949	1,587	–	3,536
Disposal	(1,576)	(3)	(586)	(366)	–	(2,531)
As at December 31, 2022	213,158	7,121	134,215	23,224	–	377,718
Accumulated depreciation						
As at January 1, 2022	(73,596)	(5,087)	(91,225)	(17,502)	–	(187,410)
Charge for the year	(7,149)	(603)	(15,796)	(1,936)	–	(25,484)
Disposal	1,575	–	586	366	–	2,527
As at December 31, 2022	(79,170)	(5,690)	(106,435)	(19,072)	–	(210,367)

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Impairment losses						
As at January 1, 2022	(268)	–	–	–	–	(268)
Charge for the year	–	–	–	–	–	–
As at December 31, 2022	(268)	–	–	–	–	(268)
Net book value						
As at December 31, 2022	133,720	1,431	27,780	4,152	–	167,083

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2023	213,158	7,121	134,215	23,224	–	377,718
Addition	4,227	138	9,857	1,009	–	15,231
Disposal	(8,550)	(680)	(619)	(1,485)	–	(11,334)
As at December 31, 2023	208,835	6,579	143,453	22,748	–	381,615
Accumulated depreciation						
As at January 1, 2023	(79,170)	(5,690)	(106,435)	(19,072)	–	(210,367)
Charge for the year	(5,461)	(458)	(12,949)	(1,720)	–	(20,588)
Disposal	4,298	680	614	1,425	–	7,017
As at December 31, 2023	(80,333)	(5,468)	(118,770)	(19,367)	–	(223,938)
Impairment losses						
As at January 1, 2023	(268)	–	–	–	–	(268)
Charge for the year	–	–	–	–	–	–
As at December 31, 2023	(268)	–	–	–	–	(268)
Net book value						
As at December 31, 2023	128,234	1,111	24,683	3,381	–	157,409

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2024	208,835	6,579	143,453	22,748	–	381,615
Addition	–	–	788	194	–	982
Disposal	–	–	(127)	(258)	–	(385)
As at June 30, 2024	208,835	6,579	144,114	22,684	–	382,212
Accumulated depreciation						
As at January 1, 2024	(80,333)	(5,468)	(118,770)	(19,367)	–	(223,938)
Charge for the period	(3,592)	(219)	(4,140)	(805)	–	(8,756)
Disposal	–	–	127	258	–	385
As at June 30, 2024	(83,925)	(5,687)	(122,783)	(19,914)	–	(232,309)
Impairment losses						
As at January 1, 2024	(268)	–	–	–	–	(268)
Charge for the period	–	–	–	–	–	–
As at June 30, 2024	(268)	–	–	–	–	(268)
Net book value						
As at June 30, 2024	124,642	892	21,331	2,770	–	149,635

As at December 31, 2021, 2022, 2023 and June 30, 2024, the net amount of buildings, for which registrations for the property ownership certificates had not been completed, were RMB3,677 thousand, RMB3,316 thousand, RMB3,049 thousand and RMB2,864 thousand. However, such registration process does not have material effect on the rights of the Bank to these assets. None of the land or property the Bank owned is located in Hong Kong.

24 LEASE

The Group	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2021	58,350	–	58,350
Increase	9,446	129	9,575
Decrease	–	–	–
As at December 31, 2021	67,796	129	67,925
Accumulated depreciation			
As at January 1, 2021	(25,566)	–	(25,566)
Increase	(13,782)	(46)	(13,828)
Decrease	–	–	–
As at December 31, 2021	(39,348)	(46)	(39,394)
Net book value			
As at December 31, 2021	28,448	83	28,531
Lease liabilities			
Net book value			
As at December 31, 2021	21,697	–	21,697

The Group	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2022	67,796	129	67,925
Increase	10,370	–	10,370
Decrease	–	–	–
As at December 31, 2022	78,166	129	78,295
Accumulated depreciation			
As at January 1, 2022	(39,348)	(46)	(39,394)
Increase	(12,413)	(46)	(12,459)
Decrease	–	–	–
As at December 31, 2022	(51,761)	(92)	(51,853)

The Group	Property	Equipment	Total
Net book value			
As at December 31, 2022	26,405	37	26,442
Lease liabilities			
Net book value			
As at December 31, 2022	16,306	–	16,306

The Group	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2023	78,166	129	78,295
Increase	17,609	–	17,609
Decrease	–	–	–
As at December 31, 2023	95,775	129	95,904
Accumulated depreciation			
As at January 1, 2023	(51,761)	(92)	(51,853)
Increase	(11,840)	(37)	(11,877)
Decrease	–	–	–
As at December 31, 2023	(63,601)	(129)	(63,730)
Net book value			
As at December 31, 2023	32,174	–	32,174
Lease liabilities			
Net book value			
As at December 31, 2023	26,496	–	26,496

The Group	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2024	95,775	129	95,904
Increase	2,476	–	2,476
Decrease	(2,398)	(129)	(2,527)
As at June 30, 2024	95,853	–	95,853

The Group	Property	Equipment	Total
Accumulated depreciation			
As at January 1, 2024	(63,601)	(129)	(63,730)
Increase	(6,968)	–	(6,968)
Decrease	2,398	129	2,527
As at June 30, 2024	(68,171)	–	(68,171)
Net book value			
As at June 30, 2024	27,682	–	27,682
Lease liabilities			
Net book value			
As at June 30, 2024	23,890	–	23,890

The Bank	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2021	35,391	–	35,391
Increase	3,472	128	3,600
Decrease	–	–	–
As at December 31, 2021	38,863	128	38,991
Accumulated depreciation			
As at January 1, 2021	(14,281)	–	(14,281)
Increase	(8,507)	(46)	(8,553)
Decrease	–	–	–
As at December 31, 2021	(22,788)	(46)	(22,834)
Net book value			
As at December 31, 2021	16,075	82	16,157
Lease liabilities			
Net book value			
As at December 31, 2021	10,538	–	10,538

The Bank	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2022	38,863	128	38,991
Increase	3,696	–	3,696
Decrease	–	–	–
As at December 31, 2022	42,559	128	42,687
Accumulated depreciation			
As at January 1, 2022	(22,788)	(46)	(22,834)
Increase	(7,764)	(46)	(7,810)
Decrease	–	–	–
As at December 31, 2022	(30,552)	(92)	(30,644)
Net book value			
As at December 31, 2022	12,007	36	12,043
Lease liabilities			
Net book value			
As at December 31, 2022	3,763	–	3,763

The Bank	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2023	42,559	128	42,687
Increase	9,204	–	9,204
Decrease	–	–	–
As at December 31, 2023	51,763	128	51,891
Accumulated depreciation			
As at January 1, 2023	(30,552)	(92)	(30,644)
Increase	(6,368)	(36)	(6,404)
Decrease	–	–	–
As at December 31, 2023	(36,920)	(128)	(37,048)

The Bank	Property	Equipment	Total
Net book value			
As at December 31, 2023	14,843	–	14,843
Lease liabilities			
Net book value			
As at December 31, 2023	10,227	–	10,227

The Bank	Property	Equipment	Total
Right-of-use assets			
Cost			
As at January 1, 2024	51,763	128	51,891
Increase	1,543	–	1,543
Decrease	(1,717)	(128)	(1,845)
As at June 30, 2024	51,589	–	51,589
Accumulated depreciation			
As at January 1, 2024	(36,920)	(128)	(37,048)
Increase	(4,193)	–	(4,193)
Decrease	1,717	128	1,845
As at June 30, 2024	(39,396)	–	(39,396)
Net book value			
As at June 30, 2024	12,193	–	12,193
Lease liabilities			
Net book value			
As at June 30, 2024	9,152	–	9,152

25 DEFERRED TAX ASSETS

The Group

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using an effective tax rate of 25% for the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2024 for transactions in the PRC. Movements in the deferred income tax account are as follows:

	As at December 31,			As at June 30
	2021	**2022**	**2023**	**2024**
Balance at the beginning of the year/period	862,579	928,721	1,060,720	1,114,600
Charge to profit or loss *(Note 14)*	49,343	148,809	103,759	55,930
Changes in ECL allowance for debt instrument investments at FVOCI *(Note 34(c))*	3,038	(59,679)	(14,671)	(8,947)
Remeasurement of retirement benefit obligations *(Note 34(c))*	393	–	130	378
Fair value changes of financial investments – FVOCI *(Note 34(c))*	13,368	42,869	(35,338)	(39,385)
Balance at the end of the year/period	928,721	1,060,720	1,114,600	1,122,576

Deferred tax assets and liabilities are attributable to the following items:

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)
Deferred tax assets								
Fair value changes of financial assets measured at fair value through other comprehensive income	64,644	16,161	236,120	59,030	94,768	23,692	–	–
ECL allowance of loans and advances to customers and financial investments	3,133,200	783,300	3,381,364	845,341	3,784,876	946,219	4,044,209	1,011,052
ECL allowance of deposits with banks and other financial institutions *(Note 17)*	259,747	64,937	262,645	65,661	262,746	65,687	285,621	71,406
Employee benefits payable	86,340	21,585	86,108	21,527	46,988	11,747	48,980	12,245
Fair value changes of financial investments – FVTPL	68,040	17,010	97,152	24,288	44,220	11,055	–	–
Allowance for impairment losses of foreclosed assets *(Note 26(c))*	14,047	3,512	14,071	3,518	14,482	3,621	14,482	3,621
Lease liabilities	21,697	5,424	16,306	4,077	26,496	6,624	23,890	5,973
Others	95,698	23,925	175,556	43,889	216,007	53,999	171,041	42,761
Subtotal	3,743,413	935,854	4,269,322	1,067,331	4,490,583	1,122,644	4,588,223	1,147,058
Deferred tax liabilities								
Fair value changes of financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–	(62,771)	(15,693)
Fair value changes of financial investments – FVTPL	–	–	–	–	–	–	(7,472)	(1,868)
Right-of-use assets	(28,531)	(7,133)	(26,442)	(6,611)	(32,174)	(8,044)	(27,682)	(6,921)
Subtotal	(28,531)	(7,133)	(26,442)	(6,611)	(32,174)	(8,044)	(97,925)	(24,482)
Total	3,714,882	928,721	4,242,880	1,060,720	4,458,409	1,114,600	4,490,298	1,122,576

The Bank

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using an effective tax rate of 25% for the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2024 for transactions in the PRC. Movements in the deferred income tax account are as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Balance at the beginning of the year/period	808,463	853,644	969,820	991,707
Charge to profit or loss	28,371	133,000	71,767	35,429
Changes in ECL allowance for debt instrument investments at FVOCI *(Note 34(c))*	3,055	(59,665)	(14,702)	(8,937)
Remeasurement of retirement benefit obligations *(Note 34(c))*	393	–	130	378
Fair value changes of financial investments – FVOCI *(Note 34(c))*	13,362	42,841	(35,308)	(39,447)
Balance at the end of the year/period	853,644	969,820	991,707	979,130

Deferred tax assets and liabilities are attributable to the following items:

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)
Deferred tax assets								
Fair value changes of financial assets measured at fair value through other comprehensive income	64,624	16,156	235,988	58,997	94,756	23,689	–	–
ECL allowance of loans and advances to customers and financial investments	3,113,668	778,417	3,312,180	828,045	3,409,997	852,499	3,582,426	895,607
ECL allowance of deposits with banks and other financial institutions *(Note 17)*	2,818	704	5,462	1,366	260,874	65,219	284,329	71,083
Employee benefits payable	68,056	17,014	64,644	16,161	36,500	9,125	39,550	9,888

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)	Temporary differences	Deferred income tax assets /(liabilities)
Fair value changes of financial investments – FVTPL	68,040	17,010	97,152	24,288	44,220	11,055	–	–
Allowance for impairment losses of foreclosed assets *(Note 26(c))*	11,832	2,958	11,856	2,964	11,856	2,964	11,856	2,964
Lease liabilities	10,538	2,635	3,763	941	10,227	2,557	9,152	2,288
Others	91,158	22,789	160,276	40,069	113,238	28,310	71,895	17,974
Subtotal	3,430,734	857,683	3,891,321	972,831	3,981,668	995,418	3,999,208	999,804
Deferred tax liabilities								
Fair value changes of financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–	(63,032)	(15,758)
Fair value changes of financial investments – FVTPL	–	–	–	–	–	–	(7,472)	(1,868)
Right-of-use assets	(16,157)	(4,039)	(12,043)	(3,011)	(14,843)	(3,711)	(12,193)	(3,048)
Subtotal	(16,157)	(4,039)	(12,043)	(3,011)	(14,843)	(3,711)	(82,697)	(20,674)
Total	3,414,577	853,644	3,879,278	969,820	3,966,825	991,707	3,916,511	979,130

26 OTHER ASSETS

The Group

	As at December 31, 2021	2022	2023	As at June 30, 2024
Interest receivable *(a)*	7,722	16,328	23,025	37,018
Intangible assets	37,401	33,332	30,911	31,456
Other receivables	123,435	85,926	94,466	84,258
Less: ECL allowance	(13,394)	(23,204)	(23,918)	(20,345)
Listing expenses to be capitalized	–	–	22,100	23,011
Foreclosed assets *(b)*	83,915	84,011	84,016	84,016
Less: Impairment *(c)*	(14,047)	(14,071)	(14,482)	(14,482)
Long-term deferred expenses	13,584	13,803	14,153	12,323
Investment properties *(d)*	203,887	190,596	177,877	173,813
Others	2,112	2,556	3,120	2,834
Total	444,615	389,277	411,268	413,902

(a) Interest receivable

	As at December 31, 2021	2022	2023	As at June 30, 2024
Loans and advances to customers	12,106	18,840	26,664	72,378
Less: ECL allowance	(4,384)	(2,512)	(3,639)	(35,360)
Total	7,722	16,328	23,025	37,018

(b) Foreclosed assets

	Properties and plants	Land use rights	Others	Total
As at January 1, 2021	94,179	–	335	94,514
Addition	–	–	–	–
Disposal	(10,599)	–	–	(10,599)
As at December 31, 2021	83,580	–	335	83,915
As at January 1, 2022	83,580	–	335	83,915
Addition	96	–	–	96
Disposal	–	–	–	–
As at December 31, 2022	83,676	–	335	84,011
As at January 1, 2023	83,676	–	335	84,011
Addition	5	–	–	5
Disposal	–	–	–	–
As at December 31, 2023	83,681	–	335	84,016
As at January 1, 2024	83,681	–	335	84,016
Addition	–	–	–	–
Disposal	–	–	–	–
As at June 30, 2024	83,681	–	335	84,016

(c) Impairment

	Properties and plants	Land use rights	Others	Total
As at January 1, 2021	14,036	–	33	14,069
Addition	2,215	–	–	2,215
Reversal	(1,747)	–	–	(1,747)
Disposal	(467)	–	(23)	(490)
As at December 31, 2021	14,037	–	10	14,047
As at January 1, 2022	14,037	–	10	14,047
Addition	24	–	–	24
Reversal	–	–	–	–
Disposal	–	–	–	–
As at December 31, 2022	14,061	–	10	14,071
As at January 1, 2023	14,061	–	10	14,071
Addition	411	–	–	411
Reversal	–	–	–	–
Disposal	–	–	–	–
As at December 31, 2023	14,472	–	10	14,482
As at January 1, 2024	14,472	–	10	14,482
Addition	–	–	–	–
Reversal	–	–	–	–
Disposal	–	–	–	–
As at June 30, 2024	14,472	–	10	14,482

(d) Investment properties

	As at December 31, 2021	2022	2023	As at June 30, 2024
Cost				
Opening balance	253,025	255,542	255,875	251,484
Addition	2,517	333	3,193	–
Disposal	–	–	(7,584)	–
Ending balance	255,542	255,875	251,484	251,484

	As at December 31, 2021	2022	2023	As at June 30, 2024
Accumulated depreciation				
Opening balance	(41,977)	(51,575)	(60,204)	(69,051)
Depreciation	(9,598)	(8,629)	(9,629)	(4,064)
Disposal	–	–	782	–
Ending balance	(51,575)	(60,204)	(69,051)	(73,115)
Impairment losses				
Opening balance	(80)	(80)	(5,075)	(4,556)
Addition	–	(4,995)	–	–
Disposal	–	–	519	–
Ending balance	(80)	(5,075)	(4,556)	(4,556)
Net book value				
Ending balance	203,887	190,596	177,877	173,813

As at December 31, 2021, 2022, 2023 and June 30, 2024, the net amount of investment properties, for which registrations for the property ownership certificates had not been completed, were RMB161,679 thousand, RMB129,858 thousand, RMB118,465 thousand and RMB112,795 thousand. However, such registration process does not have material effect on the rights of the Group to these assets. None of the land or property the Group owned is located in Hong Kong.

The Bank

	As at December 31, 2021	2022	2023	As at June 30, 2024
Interest receivable *(a)*	4,162	2,092	6,160	16,989
Intangible assets	34,349	30,383	26,956	27,673
Other receivables	52,145	68,007	69,486	79,154
Less: ECL allowance	(8,579)	(15,126)	(16,569)	(12,979)
Listing expenses to be capitalized	–	–	22,100	23,011
Foreclosed assets *(b)*	39,099	39,195	39,195	39,195
Less: Impairment *(c)*	(11,832)	(11,856)	(11,856)	(11,856)
Long-term deferred expenses	7,211	5,655	6,223	5,002
Investment properties *(d)*	60,604	57,242	55,662	53,910
Others	1,908	2,496	2,570	2,722
Total	179,067	178,088	199,927	222,821

(a) Interest receivable

	As at December 31, 2021	2022	2023	As at June 30, 2024
Loans and advances to customers	7,506	2,972	1,751	46,624
Asset management plans	–	–	4,892	–
Less: ECL allowance	(3,344)	(880)	(483)	(29,635)
Total	4,162	2,092	6,160	16,989

(b) Foreclosed assets

	Properties and plants	Land use rights	Others	Total
As at January 1, 2021	48,251	–	335	48,586
Addition	–	–	–	–
Disposal	(9,487)	–	–	(9,487)
As at December 31, 2021	38,764	–	335	39,099
As at January 1, 2022	38,764	–	335	39,099
Addition	96	–	–	96
Disposal	–	–	–	–
As at December 31, 2022	38,860	–	335	39,195
As at January 1, 2023	38,860	–	335	39,195
Addition	–	–	–	–
Disposal	–	–	–	–
As at December 31, 2023	38,860	–	335	39,195
As at January 1, 2024	38,860	–	335	39,195
Addition	–	–	–	–
Disposal	–	–	–	–
As at June 30, 2024	38,860	–	335	39,195

(c) Impairment

	Properties and plants	Land use rights	Others	Total
As at January 1, 2021	14,036	–	33	14,069
Addition	–	–	–	–
Reversal	(1,747)	–	–	(1,747)
Disposal	(467)	–	(23)	(490)
As at December 31, 2021	11,822	–	10	11,832
As at January 1, 2022	11,822	–	10	11,832
Addition	24	–	–	24
Reversal	–	–	–	–
Disposal	–	–	–	–
As at December 31, 2022	11,846	–	10	11,856
As at January 1, 2023	11,846	–	10	11,856
Addition	–	–	–	–
Reversal	–	–	–	–
Disposal	–	–	–	–
As at December 31, 2023	11,846	–	10	11,856
As at January 1, 2024	11,846	–	10	11,856
Addition	–	–	–	–
Reversal	–	–	–	–
Disposal	–	–	–	–
As at June 30, 2024	11,846	–	10	11,856

(d) Investment properties

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Cost				
Opening balance	101,568	104,085	104,417	107,610
Addition	2,517	332	3,193	–
Disposal	–	–	–	–
Ending balance	104,085	104,417	107,610	107,610

	As at December 31, 2021	2022	2023	As at June 30, 2024
Accumulated depreciation				
Opening balance	(38,676)	(43,401)	(47,095)	(51,868)
Depreciation	(4,725)	(3,694)	(4,773)	(1,752)
Disposal	–	–	–	–
Ending balance	(43,401)	(47,095)	(51,868)	(53,620)
Impairment losses				
Opening balance	(80)	(80)	(80)	(80)
Addition	–	–	–	–
Disposal	–	–	–	–
Ending balance	(80)	(80)	(80)	(80)
Net book value				
Ending balance	60,604	57,242	55,662	53,910

As at December 31, 2021, 2022, 2023 and June 30, 2024, the net amount of investment properties, for which registrations for the property ownership certificates had not been completed, were RMB28,203 thousand, RMB904 thousand, RMB753 thousand and RMB730 thousand. However, such registration process does not have material effect on the rights of the Bank to these assets. None of the land or property the Bank owned is located in Hong Kong.

27 BORROWINGS FROM CENTRAL BANK

The Group

	As at December 31, 2021	2022	2023	As at June 30, 2024
Borrowings from central bank	998,314	1,878,953	2,196,716	1,963,095
Accrued interest	669	1,131	1,324	1,033
Total	998,983	1,880,084	2,198,040	1,964,128

The Bank

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Borrowings from central bank	998,314	1,737,916	2,139,095	1,943,035
Accrued interest	669	1,044	1,291	1,024
Total	998,983	1,738,960	2,140,386	1,944,059

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS, DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Deposits from other banks and financial institutions	29,603	132,272	883,136	1,159,113
Placements from other banks and financial institutions	1,940,000	3,100,000	2,840,000	2,840,000
Financial assets sold under repurchase agreements	4,261,558	1,908,904	2,527,142	2,673,577
Accrued interest	8,680	8,916	12,808	14,812
Total	6,239,841	5,150,092	6,263,086	6,687,502

The Bank

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Deposits from other banks and financial institutions	305,128	431,313	1,208,957	2,060,191
Placements from other banks and financial institutions	1,940,000	3,100,000	2,840,000	2,840,000
Financial assets sold under repurchase agreements	3,950,000	1,590,000	2,400,000	2,639,577
Accrued interest	14,021	13,797	16,254	21,917
Total	6,209,149	5,135,110	6,465,211	7,561,685

29 CUSTOMER DEPOSITS

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Corporate Deposits				
– Demand	18,641,281	19,724,860	17,803,227	20,164,076
– Time	8,727,620	13,317,431	19,946,755	19,370,911
Subtotal	27,368,901	33,042,291	37,749,982	39,534,987
Individual Deposits				
– Demand	3,990,767	4,833,833	4,929,860	5,135,811
– Time	16,064,782	20,327,966	27,111,857	33,835,811
Subtotal	20,055,549	25,161,799	32,041,717	38,971,622
Accrued interest	918,237	1,189,726	1,647,355	1,956,563
Total	48,342,687	59,393,816	71,439,054	80,463,172

As at December 31, 2021, 2022, 2023 and June 30, 2024, customer deposits of the Group included pledged deposits of RMB487,355 thousand, RMB938,847 thousand, RMB1,282,150 thousand and RMB2,405,172 thousand respectively.

The Bank

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Corporate Deposits				
– Demand	16,838,518	17,956,849	16,187,628	19,018,148
– Time	8,588,752	13,154,469	19,744,489	19,179,885
Subtotal	25,427,270	31,111,318	35,932,117	38,198,033
Individual Deposits				
– Demand	3,647,270	4,456,329	4,634,122	4,848,293
– Time	13,185,766	16,950,125	22,796,100	28,729,462

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Subtotal	16,833,036	21,406,454	27,430,222	33,577,755
Accrued interest	695,091	928,793	1,360,991	1,660,804
Total	42,955,397	53,446,565	64,723,330	73,436,592

As at December 31, 2021, 2022, 2023 and June 30, 2024, customer deposits of the Bank included pledged deposits of RMB470,255 thousand, RMB882,032 thousand, RMB1,260,874 thousand and RMB2,377,504 thousand respectively.

30 DEBT SECURITIES ISSUED

The Group and the Bank

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Interbank certificates of deposit	4,182,274	4,466,816	3,279,022	467,508

Interbank certificates of deposit are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Reference rates of return	1.25%-3.33%	1.25%-3.33%	0.67%-3.13%	2.78%-2.95%
Original maturity	6 to 12 months	6 to 12 months	3 to 12 months	12 months

As at December 31, 2021, 2022, 2023 and June 30, 2024, the Group and the Bank did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

31 TAXES PAYABLE

The Group

	As at December 31, 2021	2022	2023	As at June 30, 2024
Income tax	68,931	213,114	190,713	99,506
VAT and others	39,720	40,091	46,935	47,162
Total	108,651	253,205	237,648	146,668

The Bank

	As at December 31, 2021	2022	2023	As at June 30, 2024
Income tax	65,529	210,923	174,849	94,764
VAT and others	36,401	36,376	42,035	44,003
Total	101,930	247,299	216,884	138,767

32 OTHER LIABILITIES

The Group

	As at December 31, 2021	2022	2023	As at June 30, 2024
Employee benefits payable *(a)*	136,281	150,299	177,277	150,587
Dividends payables	4,596	6,530	12,017	88,465
Settlement and clearance payables	64,704	39,586	180,188	170,178
Wealth management products payable	2,713	37,454	779	–
Other payables	96,849	157,428	210,092	245,240
Listing expenses to be paid	–	–	4,052	965
Provisions	54,548	102,362	69,771	79,152
Others	52,813	91,347	60,022	91,004
Total	412,504	585,006	714,198	825,591

(a) Employee benefits payable

	As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at June 30, 2024
Short-term employee benefits *(i)*	95,096	112,479	139,287	106,568
Defined contribution benefits *(ii)*	425	57	945	5,548
Supplementary retirement benefits *(iii)*	40,760	37,763	37,045	38,471
Total	136,281	150,299	177,277	150,587

(i) Short-term employee benefits

	2021			
	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at the end of the year
Wages and salaries, bonus, allowance and subsidies	88,101	232,085	(226,624)	93,562
Staff welfare	202	12,983	(12,813)	372
Social security contributions	(7)	42,813	(42,792)	14
– Medical insurance	–	21,223	(21,217)	6
– Work injury insurance	(7)	1,144	(1,137)	–
– Maternity insurance	–	509	(509)	–
– Housing funds	–	19,937	(19,929)	8
Labour union funds and employee education funds	1,175	6,364	(6,391)	1,148
Total	89,471	294,245	(288,620)	95,096

	2022			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Wages and salaries, bonus, allowance and subsidies	93,562	248,578	(230,925)	111,215
Staff welfare	372	12,879	(13,251)	–
Social security contributions	14	47,548	(47,562)	–
– Medical insurance	6	24,652	(24,658)	–
– Work injury insurance	–	1,421	(1,421)	–
– Maternity insurance	–	38	(38)	–
– Housing funds	8	21,437	(21,445)	–
Labour union funds and employee education funds	1,148	6,100	(5,984)	1,264
Total	95,096	315,105	(297,722)	112,479

	2023			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Wages and salaries, bonus, allowance and subsidies	111,215	278,018	(251,122)	138,111
Staff welfare	–	14,386	(14,386)	–
Social security contributions	–	49,040	(49,040)	–
– Medical insurance	–	25,349	(25,349)	–
– Work injury insurance	–	716	(716)	–
– Maternity insurance	–	5	(5)	–
– Housing funds	–	22,970	(22,970)	–
Labour union funds and employee education funds	1,264	6,887	(6,975)	1,176
Total	112,479	348,331	(321,523)	139,287

	Six months ended June 30, 2024			
	Balance at the beginning of the period	Increase in current period	Decrease in current period	Balance at the end of the period
Wages and salaries, bonus, allowance and subsidies	138,111	131,096	(169,266)	99,941
Staff welfare	–	6,975	(6,975)	–
Social security contributions	–	25,071	(19,761)	5,310
– Medical insurance	–	13,242	(7,932)	5,310
– Work injury insurance	–	173	(173)	–
– Maternity insurance	–	1	(1)	–
– Housing funds	–	11,655	(11,655)	–
Labour union funds and employee education funds	1,176	3,225	(3,084)	1,317
Total	139,287	166,367	(199,086)	106,568

(ii) Defined contribution benefits

	2021			
	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at the end of the year
Basic pensions	(301)	27,126	(26,839)	(14)
Unemployment insurance	(7)	1,039	(1,032)	–
Annuity scheme	450	9,152	(9,163)	439
Total	142	37,317	(37,034)	425

	2022			
	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at the end of the year
Basic pensions	(14)	30,610	(30,596)	–
Unemployment insurance	–	1,183	(1,183)	–
Annuity scheme	439	10,569	(10,951)	57
Total	425	42,362	(42,730)	57

	2023			
	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at the end of the year
Basic pensions	–	32,363	(32,163)	200
Unemployment insurance	–	1,222	(1,222)	–
Annuity scheme	57	11,441	(10,753)	745
Total	57	45,026	(44,138)	945

	Six months ended June 30, 2024			
	Balance at the beginning of the period	Increase in current period	Decrease in current period	Balance at the end of the period
Basic pensions	200	16,009	(16,109)	100
Unemployment insurance	–	602	(602)	–
Annuity scheme	745	6,135	(1,432)	5,448
Total	945	22,746	(18,143)	5,548

(iii) Supplementary retirement benefits

The retirement benefit obligations of the Group refer to supplementary benefits for retirees and early-retirees recognised in the consolidated statement of comprehensive income using the projected unit credit actuarial cost method as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Balance at the beginning of year/period	40,570	40,760	37,763	37,045
Gain or loss from actuarial calculation				
– Charge to profit or losses *(Note 10(i))*	2,630	1,416	2,937	1,620
– Charge to other comprehensive income *(Note 34(c))*	1,570	–	520	1,510
Benefits paid	(4,010)	(4,413)	(4,175)	(1,704)
Balance at the end of year/period	40,760	37,763	37,045	38,471

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	%	%	%	%
Discount rate – retirement benefit plan	3.00%	3.00%	2.75%	2.25%
Discount rate – early retirement benefit plan	2.50%	2.50%	2.25%	2.00%
Annual increase rate of medical examination	2.00%	2.00%	2.00%	2.00%
Annual increase rate of basic salary and housing fund contributions for internal retirees	2.00%	2.00%	2.00%	2.00%
Annual increase rate of social security contributions	6.00%	6.00%	6.00%	6.00%
Annual increase rate of EAP contributions	6.00%	6.00%	6.00%	6.00%
Annual increase rate of supplemental medical insurance contributions	6.00%	6.00%	6.00%	6.00%
Retirement ages				
– Male	60	60	60	60
– Female	50/55	50/55	50/55	50/55

Assumption for future mortality rate at December 31, 2021, 2022, 2023 and June 30, 2024 are all based on the China Life Insurance Mortality Table (2010-2013), which is the statistical information published at December 28, 2016 and publicly available in China.

As at December 31, 2021, 2022, 2023 and June 30, 2024, the Group has no default on the staff costs payable above.

The Bank

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Employee benefits payable *(a)*	114,300	123,246	148,399	126,668
Dividends payables	4,328	6,263	11,750	88,198
Settlement and clearance payables	63,918	32,978	179,423	164,975
Wealth management products payable	2,713	37,454	779	–
Other payables	50,575	71,641	89,101	94,909
Listing expenses to be paid	–	–	4,052	965
Provisions	54,030	101,515	69,329	79,151
Others	39,671	86,854	50,129	80,699
Total	329,535	459,951	552,962	635,565

(a) Employee benefits payable

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Short-term employee benefits *(i)*	73,552	85,746	111,899	83,318
Defined contribution benefits *(ii)*	(12)	–	–	5,310
Supplementary retirement benefits *(iii)*	40,760	37,500	36,500	38,040
Total	114,300	123,246	148,399	126,668

(i) Short-term employee benefits

	2021			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Wages and salaries, bonus, allowance and subsidies	65,512	183,612	(176,684)	72,440
Staff welfare	177	9,388	(9,448)	117
Social security contributions	(7)	32,919	(32,898)	14
– Medical insurance	–	16,926	(16,920)	6
– Work injury insurance	(7)	853	(846)	–
– Maternity insurance	–	455	(455)	–
– Housing funds	–	14,685	(14,677)	8
Labour union funds and employee education funds	864	5,192	(5,075)	981
Total	66,546	231,111	(224,105)	73,552

	2022			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Wages and salaries, bonus, allowance and subsidies	72,440	197,154	(184,901)	84,693
Staff welfare	117	9,483	(9,600)	–
Social security contributions	14	37,891	(37,905)	–
– Medical insurance	6	20,727	(20,733)	–
– Work injury insurance	–	1,082	(1,082)	–
– Maternity insurance	–	38	(38)	–
– Housing funds	8	16,044	(16,052)	–
Labour union funds and employee education funds	981	4,950	(4,878)	1,053
Total	73,552	249,478	(237,284)	85,746

	2023			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Wages and salaries, bonus, allowance and subsidies	84,693	227,366	(201,250)	110,809
Staff welfare	–	10,640	(10,640)	–
Social security contributions	–	39,959	(39,959)	–
– Medical insurance	–	21,696	(21,696)	–
– Work injury insurance	–	557	(557)	–
– Maternity insurance	–	5	(5)	–
– Housing funds	–	17,701	(17,701)	–
Labour union funds and employee education funds	1,053	5,633	(5,596)	1,090
Total	85,746	283,598	(257,445)	111,899

	Six months ended June 30, 2024			
	Balance at the beginning of the period	**Increase in current period**	**Decrease in current period**	**Balance at the end of the period**
Wages and salaries, bonus, allowance and subsidies	110,809	108,879	(142,824)	76,864
Staff welfare	–	5,652	(5,652)	–
Social security contributions	–	20,349	(15,039)	5,310
– Medical insurance	–	11,160	(5,850)	5,310
– Work injury insurance	–	136	(136)	–
– Maternity insurance	–	1	(1)	–
– Housing funds	–	9,052	(9,052)	–
Labour union funds and employee education funds	1,090	2,659	(2,605)	1,144
Total	111,899	137,539	(166,120)	83,318

(ii) Defined contribution benefits

	2021			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Basic pensions	(301)	20,690	(20,403)	(14)
Unemployment insurance	(7)	778	(771)	–
Annuity scheme	–	8,352	(8,350)	2
Total	(308)	29,820	(29,524)	(12)

	2022			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Basic pensions	(14)	23,294	(23,280)	–
Unemployment insurance	–	867	(867)	–
Annuity scheme	2	9,788	(9,790)	–
Total	(12)	33,949	(33,937)	–

	2023			
	Balance at the beginning of the year	**Increase in current year**	**Decrease in current year**	**Balance at the end of the year**
Basic pensions	–	24,865	(24,865)	–
Unemployment insurance	–	928	(928)	–
Annuity scheme	–	9,950	(9,950)	–
Total	–	35,743	(35,743)	–

	Six months ended June 30, 2024			
	Balance at the beginning of the period	Increase in current period	Decrease in current period	Balance at the end of the period
Basic pensions	–	12,389	(12,389)	–
Unemployment insurance	–	463	(463)	–
Annuity scheme	–	5,310	–	5,310
Total	–	18,162	(12,852)	5,310

(iii) Supplementary retirement benefits

The retirement benefit obligations of the Group refer to supplementary benefits for retirees and early-retirees recognised in the consolidated statement of comprehensive income using the projected unit credit actuarial cost method are as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Balance at the beginning of year/period	40,570	40,760	37,500	36,500
Gain or loss from actuarial calculation				
– Charge to profit or losses	2,630	1,140	2,520	1,620
– Charge to other comprehensive income *(Note 34(c))*	1,570	–	520	1,510
Benefits paid	(4,010)	(4,400)	(4,040)	(1,590)
Balance at the end of year/period	40,760	37,500	36,500	38,040

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	%	%	%	%
Discount rate – retirement benefit plan	3.00%	3.00%	2.75%	2.25%
Discount rate – early retirement benefit plan	2.50%	2.50%	2.25%	2.00%
Annual increase rate of medical examination	2.00%	2.00%	2.00%	2.00%
Annual increase rate of basic salary and housing fund contributions for internal retirees	2.00%	2.00%	2.00%	2.00%
Annual increase rate of social security contributions	6.00%	6.00%	6.00%	6.00%
Annual increase rate of EAP contributions	6.00%	6.00%	6.00%	6.00%
Annual increase rate of supplemental medical insurance contributions	6.00%	6.00%	6.00%	6.00%
Retirement ages				
– Male	60	60	60	60
– Female	50/55	50/55	50/55	50/55

Assumption for future mortality rate at December 31, 2021, 2022, 2023 and June 30, 2024 are all based on the China Life Insurance Mortality Table (2010-2013), which is the statistical information published at December 28, 2016 and publicly available in China.

As at December 31, 2021, 2022, 2023 and June 30, 2024, the Bank has no default on the staff costs payable above.

33 SHARE CAPITAL AND CAPITAL RESERVE

The Group and the Bank

All shares of the Group issued are fully paid ordinary shares. The par value per share is RMB1.00. The Group's number of shares is as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Number of shares	3,900,000	3,900,000	3,900,000	3,900,000

The movement of share capital is as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Balance at the beginning of the year/period	2,822,545	3,900,000	3,900,000	3,900,000
Contribution of shareholders	1,077,455	–	–	–
Share dividends	–	–	–	–
Balance at the end of the year/period	3,900,000	3,900,000	3,900,000	3,900,000

Transactions of the following nature are recorded in the capital reserve:

(a) Share premium arising from the issue of shares at prices in excess of their par value;

(b) Deemed contributions received from the shareholders;

(c) Amount in excess of book value of non-performing assets purchased by the shareholders;

(d) Any other items required by the PRC regulations to be so treated.

Capital reserve can be utilised for the issuance of bonus shares or for increasing paid-in capital as approved by the shareholders.

As at December 31, 2021, 2022, 2023 and June 30, 2024, the Group's capital reserve is shown as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Capital reserve	3,362,784	3,412,784	3,462,784	3,462,784

According to the resolutions determined in the annual meeting on May 14, 2021, the Group launched the fourth round of capital and share increase. The total number of ordinary shares reached 3,900 million after the increase.

In 2021, the capital reserve mainly represents share premium arising from the issuance of new shares at price in excess of par value and deemed contribution from the shareholders.

In 2022 and 2023, the change in capital reserve represents deemed contribution from the shareholders.

The Bank transferred certain non-performing assets to five shareholders including Wuliangye Group, Yibin Municipal Finance Bureau, Yibin Cuiping District Finance Bureau, Yibin Nanxi District Finance Bureau and Wuhan Tianying Investment Group Co., Ltd., ("Five Shareholders") in 2020. Five Shareholders contributed the net proceeds collected from the non-performing assets amounting to RMB100.0 million, RMB50.0 million and RMB50.0 million upon the completion of the respective approval procedures in 2021, 2022 and 2023 respectively.

34 OTHER RESERVES

The Group

	Surplus reserve (a)	General reserve (b)	Other comprehensive income (c)	Total
As at January 1, 2021	17,096	227,397	11,808	256,301
Addition	26,107	274,308	(50,398)	250,017
As at December 31, 2021	43,203	501,705	(38,590)	506,318
As at January 1, 2022	43,203	501,705	(38,590)	506,318
Addition	37,119	349,810	50,435	437,364
As at December 31, 2022	80,322	851,515	11,845	943,682
As at January 1, 2023	80,322	851,515	11,845	943,682
Addition	45,590	159,138	149,632	354,360
As at December 31, 2023	125,912	1,010,653	161,477	1,298,042
As at January 1, 2024	125,912	1,010,653	161,477	1,298,042
Addition	–	–	143,865	143,865
As at June 30, 2024	125,912	1,010,653	305,342	1,441,907

(a) Surplus reserve

In accordance with the 'Company Law of the People's Republic of China' and the Bank's Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory surplus reserve can be used for making up losses or increasing the share capital.

(b) General reserve

The Group follows the "the management methods of financial corporation reserves" (Financial [2012]20) issued by the Ministry of Finance. According to the requirements, the general reserve should not be lower than 1.5% of the period end risk assets. Besides, if there is difficulty reaching the 1.5% threshold, the entity can take, in principal, not more than 5 years to meet this requirement, but principally it should not exceed 5 years.

(c) Other comprehensive income

	Gross amount	**Taxation effect**	**Net carrying amount**
As at January 1, 2021	15,743	(3,935)	11,808
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	(1,570)	393	(1,177)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	(53,472)	13,368	(40,104)
Changes in credit impairment losses for debt instrument investments at FVOCI	(12,155)	3,038	(9,117)
As at December 31, 2021	(51,454)	12,864	(38,590)

	Gross amount	**Taxation effect**	**Net carrying amount**
As at January 1, 2022	(51,454)	12,864	(38,590)
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	–	–	–

	Gross amount	Taxation effect	Net carrying amount
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	(171,471)	42,869	(128,602)
Changes in credit impairment losses for debt instrument investments at FVOCI	238,716	(59,679)	179,037
As at December 31, 2022	15,791	(3,946)	11,845

	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2023	15,791	(3,946)	11,845
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	(520)	130	(390)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	141,353	(35,338)	106,015
Changes in credit impairment losses for debt instrument investments at FVOCI	58,678	(14,671)	44,007
As at December 31, 2023	215,302	(53,825)	161,477

	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2024	215,302	(53,825)	161,477
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	(1,510)	378	(1,132)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	157,538	(39,385)	118,153
Changes in credit impairment losses for debt instrument investments at FVOCI	35,791	(8,947)	26,844
As at June 30, 2024	407,121	(101,779)	305,342

The Bank

	Surplus reserve (a)	General reserve (b)	Other comprehensive income (c)	Total
As at January 1, 2021	17,096	176,074	11,794	204,964
Addition	26,107	283,477	(50,430)	259,154
As at December 31, 2021	43,203	459,551	(38,636)	464,118
As at January 1, 2022	43,203	459,551	(38,636)	464,118
Addition	37,120	348,786	50,471	436,377
As at December 31, 2022	80,323	808,337	11,835	900,495

	Surplus reserve (a)	General reserve (b)	Other comprehensive income (c)	Total
As at January 1, 2023	80,323	808,337	11,835	900,495
Addition	45,589	156,926	149,642	352,157
As at December 31, 2023	125,912	965,263	161,477	1,252,652
As at January 1, 2024	125,912	965,263	161,477	1,252,652
Addition	–	–	144,021	144,021
As at June 30, 2024	125,912	965,263	305,498	1,396,673

(a) Surplus reserve

In accordance with the 'Company Law of the People's Republic of China' and the Bank's Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory surplus reserve can be used for making up losses or increasing the share capital.

(b) General reserve

The Bank follows the "the management methods of financial corporation reserves" (Financial [2012]20) issued by the Ministry of Finance. According to the requirements, the general reserve should not be lower than 1.5% of the period end risk assets. Besides, if there is difficulty reaching the 1.5% threshold, the entity can take, in principal, not more than 5 years to meet this requirement, but principally it should not exceed 5 years.

According to approval of the Board of Directors and regulatory requirement of Ministry of Finance, the Bank transferred to general reserve in 2021, 2022, 2023 with amount of RMB283,477 thousand, RMB348,786 thousand, RMB156,926 thousand respectively.

(c) Other comprehensive income

	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2021	15,726	(3,932)	11,794
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	(1,570)	393	(1,177)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	(53,446)	13,362	(40,084)
Changes in credit impairment losses for debt instrument investments at FVOCI	(12,224)	3,055	(9,169)
As at December 31, 2021	(51,514)	12,878	(38,636)

	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2022	(51,514)	12,878	(38,636)
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	–	–	–
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	(171,369)	42,841	(128,528)
Changes in credit impairment losses for debt instrument investments at FVOCI	238,664	(59,665)	178,999
As at December 31, 2022	15,781	(3,946)	11,835

	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2023	15,781	(3,946)	11,835
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	(520)	130	(390)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	141,232	(35,308)	105,924
Changes in credit impairment losses for debt instrument investments at FVOCI	58,810	(14,702)	44,108
As at December 31, 2023	215,303	(53,826)	161,477

	Gross amount	Taxation effect	Net carrying amount
As at January 1, 2024	215,303	(53,826)	161,477
Items that may not be reclassified subsequently to profit or loss:			
Changes in remeasurement of defined benefit plans *(Note 32(a)(iii))*	(1,510)	378	(1,132)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instrument investments at FVOCI	157,788	(39,447)	118,341
Changes in credit impairment losses for debt instrument investments at FVOCI	35,749	(8,937)	26,812
As at June 30, 2024	407,330	(101,832)	305,498

35 DIVIDENDS

The Group and the Bank

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Dividend declared during the year/period	–	48,750	58,500	78,000
Dividend per share (in RMB)	–	0.0125	0.0150	0.0200

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(i) Making up prior year's cumulative losses, if any;

(ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Group.

After the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with the China Accounting Standards and (ii) the retained profit determined in accordance with IFRS Accounting Standards.

According to approval of the 2022 Annual Shareholders Meeting on May 19, 2022, the Bank distributed RMB48,750 thousand from retained earnings as cash dividends to shareholders. By December 31, 2022, the shareholders on record had been distributed as mentioned, and the unpaid dividend distribution was recorded as dividend payable (RMB0.0125 per share including tax, and the shares below RMB1 are rounded).

The 2023 Annual Shareholders Meeting on June 29, 2023 approved the Bank's 2022 profit distribution plan, which will distribute RMB58,500 thousand from retained earnings as cash dividends to shareholders. By December 31, 2023 the unpaid dividend distribution was recorded as dividend payable. (RMB0.0150 per share including tax, and the shares below RMB1 are rounded).

The 2024 Annual Shareholders Meeting on April 29, 2024 approved the Bank's 2023 profit distribution plan, which will distribute RMB78,000 thousand from retained earnings as cash dividends to shareholders. By June 30, 2024, the unpaid dividend distribution was recorded as dividend payable. (RMB0.0200 per share including tax, and the shares below RMB1 are rounded).

36 STRUCTURED ENTITY

(a) Unconsolidated structured entity

(i) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products issued and managed by the Group acting as an agent. Based on the analysis and research on the potential targeted clients, the Group designs and sells capital investment and management plan to specific targeted clients, and the raised funds are then put into related financial market or invested in related wealth management products according to the product contracts. Gains would be allocated to investors after the Group gained from investment. The Group receives corresponding wealth management commission fee income as the asset manager. The Group has recognised net commission income from unsecured wealth management products with the amount of RMB31,615 thousand for the year ended December 31, 2021, RMB17,383 thousand for the year ended December 31, 2022, RMB35,098 thousand for the year ended December 31, 2023, RMB9,936 thousand for the six months ended June 30, 2023 and RMB28,401 thousand for the six months ended June 30, 2024 through provision of asset management service respectively (Note 6). The Group has not provided any liquidity support to the wealth management products for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 and 2024.

The Group issues and manages unsecured wealth management products to individual investors. The funds raised from the individual investors are mainly invested in the open market bonds and money market instruments.

The Group assesses its control on the unsecured wealth management products. The Group takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or interest. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market and money market performance. The risk of loss is borne by the investors. The Group earns the net fee and commission income from the products.

As at December 31, 2021, 2022, 2023 and June 30, 2024, the balance of unconsolidated wealth management products managed by the Group was RMB4,543,141 thousand, RMB4,513,813 thousand, RMB4,305,516 thousand and RMB4,226,143 thousand respectively.

(ii) Unconsolidated structured entities invested by the Group

To make better use of capital for profit, the Group invested in structured entities, including funds and asset management plans issued and managed by independent third parties. The Group classified the unconsolidated structured entities as financial investments-FVTPL.

The table below lists the book value and maximum loss risk exposure of the assets due to the holdings of profits from unconsolidated structured entities.

As at December 31, 2021	**Book value**	**Maximum risk exposure**
Financial investments – fair value through profit or loss	559,387	559,387

As at December 31, 2022	**Book value**	**Maximum risk exposure**
Financial investments – fair value through profit or loss	606,910	606,910

As at December 31, 2023	**Book value**	**Maximum risk exposure**
Financial investments – fair value through profit or loss	1,001,811	1,001,811

As at June 30, 2024	**Book value**	**Maximum risk exposure**
Financial investments – fair value through profit or loss	1,375,686	1,375,686

For the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 and 2024, the Group had not provided any financial or other support plan to unconsolidated structured entities.

The income from the above unconsolidated structured entities were:

	Year end December 31,			**Six months ended June 30,**
	2021	**2022**	**2023**	**2024**
Net gains/(losses) on trading activities	19,418	(131,779)	29,614	(10,248)

(b) Consolidated structured entity

The consolidated structured entities are mainly asset management plans controlled by the Group (Note 19 and Note 21).

37 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group commits to extend to customers:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Bank acceptance	7,608,620	11,412,234	6,510,671	7,477,346
Letters of guarantees	20,322	79,160	50,293	71,494
Total	7,628,942	11,491,394	6,560,964	7,548,840

(b) Capital expenditure commitments

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
Properties and equipment				
Contracted but not provided for	26,555	37,809	63,328	410,777

(c) Legal proceedings

Legal proceedings are initiated by third parties against the Group as defendant. The Group had no significant outstanding legal claims as at December 31, 2021, 2022, 2023 and June 30, 2024.

38 COLLATERALS

(a) Assets pledged

As at December 31, 2021, 2022, 2023 and June 30, 2024, the carrying amounts of assets pledged as collateral under repurchase agreements and borrowings from central bank are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Debt securities	4,443,900	4,270,600	5,581,400	4,832,400

(b) Collateral accepted

The Group received debt securities as collateral for financial assets held under resale agreements as set out in Note 17. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties.

39 NOTES TO STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following unrestricted balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	As at December 31,			As at June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Cash and balances with central bank	4,089,335	2,623,951	3,052,999	1,584,435	1,355,240
Financial assets held under resale agreements, due from other banks and other financial institutions	3,524,791	5,597,829	4,796,201	2,955,065	5,822,405
	7,614,126	8,221,780	7,849,200	4,539,500	7,177,645

40 RELATED PARTY TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders include shareholders with 5% or more interest in the Bank.

As at December 31, 2021, the major shareholders of the Bank are as follows:

Name of shareholders	**Amount** *(thousand shares)*	**Ratio** *(%)*
Sichuan Yibin Wuliangye Group Limited	779,610	19.990%
Yibin Cuiping Finance Bureau	779,220	19.980%
Yibin Finance Bureau	779,220	19.980%
Yibin Nanxi Finance Bureau	660,700	16.940%
Tianfeng Securities Co., Ltd.	201,990	5.180%
Total	3,200,740	82.070%

As at December 31, 2022, the major shareholders of the Bank are as follows:

Name of shareholders	**Amount** *(thousand shares)*	**Ratio** *(%)*
Sichuan Yibin Wuliangye Group Limited	779,610	19.990%
Yibin Finance Bureau	779,482	19.987%
Yibin Cuiping Finance Bureau	779,220	19.980%
Yibin Nanxi Finance Bureau	660,700	16.940%
Tianfeng Securities Co., Ltd.	201,990	5.180%
Total	3,201,002	82.077%

As at December 31, 2023, the major shareholders of the Bank are as follows:

Name of shareholders	**Amount** *(thousand shares)*	**Ratio** *(%)*
Sichuan Yibin Wuliangye Group Limited	779,610	19.990%
Yibin Finance Bureau	779,482	19.987%
Yibin Cuiping Finance Bureau	779,220	19.980%
Yibin Nanxi Finance Bureau	660,700	16.940%
Total	2,999,012	76.897%

As at June 30, 2024, the major shareholders of the Bank are as follows:

Name of shareholders	**Amount** *(thousand shares)*	**Ratio** *(%)*
Sichuan Yibin Wuliangye Group Limited	779,610	19.990%
Yibin Finance Bureau	779,482	19.987%
Yibin Cuiping Finance Bureau	779,220	19.980%
Yibin Nanxi Finance Bureau	660,700	16.940%
Total	2,999,012	76.897%

(ii) Other related parties

Other related parties mainly include directors, supervisors, senior management of the Bank and their close family members; entities controlled or jointly controlled by directors, supervisors, senior management of the Group and their close family members; and entities controlled or jointly controlled by the major shareholders of the Group as set out in Note 40(a)(i), and the Bank's subsidiaries.

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are conducted under normal commercial terms and conditions. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

(b) Related party transactions and balances

(i) Transactions and balances with major shareholders

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Trade in nature and included in:				
Deposits from customers	2,688,048	4,596,354	4,490,757	4,566,177
Non-trade in nature and included in:				
Other assets	–	30	–	–
Other liabilities*	2,259	2,149	2,099	2,099

* The balance of other liabilities as at June 30, 2024 mainly represents government subsidies of RMB1.62 million, provided by one of the major shareholders for serving technology-oriented micro and small and medium-sized enterprises, which will not be settled prior to listing.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Other operating income	143	143	–	–	–
Interest expense	53,316	53,402	92,671	56,437	45,259

(ii) Transaction and balances with other related parties

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Trade in nature and included in:				
Loans and advances to customers	1,493,341	1,632,906	1,062,600	1,067,993
Financial assets held under resale agreements, due from other banks and other financial institutions	200,000	–	–	–
Financial investments – Fair value through profit or loss	–	31,516	25,325	–

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Financial investments – Fair value through other comprehensive income	20,749	739,152	–	–
Right-of-use assets	–	348	–	–
Other assets	4,381	4,483	200	114
Financial assets sold under repurchase agreements, due to other banks and financial institutions	200,000	300,000	–	–
Deposits from customers	6,698,418	6,729,816	15,014,382	16,712,267
Lease liabilities	–	2	–	–
Other liabilities	–	90	–	–
Bank acceptances	565,745	367,935	535,786	380,039
Letters of guarantees	9,494	58,595	–	–
Entrusted loans	5,142,190	9,935,600	8,534,910	10,346,830
Entrusted deposits	10,317,244	15,988,229	13,814,723	13,464,718

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Non-trade in nature and included in:				
Other assets**	1	1	2	2
Other liabilities	307	263	–	–

** The balance of other assets represents real estate registration fees paid to one of other related parties for properties purchased for one sub-branch of the Bank. The balance will be settled when the registration is completed.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Interest income	84,068	103,810	65,913	41,163	27,547
Fee and commission income	2,053	1,990	1,001	204	682
Other operating income	–	–	143	71	71
Interest expense	67,189	110,410	202,022	114,615	156,243
Net gains on financial investments	–	401	2,614	675	157

(c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Group's activities.

The remuneration of key management personnel in each of the reporting years/periods is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Remuneration, salary, allowances and benefits	6,135	6,207	6,928	2,771	3,473
Discretionary bonuses	7,086	7,675	8,224	3,213	3,877
Contribution to pension schemes	215	251	259	113	127
Total	13,436	14,133	15,411	6,097	7,477

(d) Capital expenditure commitments

	As at December 31,			As at June 30,
	2021	2022	2023	2024
Properties and equipment Contracted but not provided for	–	–	–	362,903

On June 6, 2024, the Bank entered into an acquisition agreement with a related party, namely Yibin OCT Sanjiang Real Estate Co., Ltd., (the enterprise in which the controlling shareholder of Wuliangye Group indirectly holds a 25% stake) to purchase commercial properties at an aggregate consideration of RMB362,903 thousand. The Bank intended to use such commercial properties as offices to accommodate the Bank's business expansion. The Bank have not prepaid any consideration as at June 30, 2024. The acquisition is expected to be consummated before June 2025.

(e) Government related entities

The transactions between the Group and the government authorities proceed under normal commercial terms and conditions. These transactions mainly include provision of deposits and agency service. The Group considers that transactions with these entities are activities conducted in the ordinary course of business. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities.

41 SEGMENT ANALYSIS

The Group's operating segments are business units which provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counterparties supported by specific techniques and markets strategies, they operate independently.

The Group has 4 operating segments: corporate banking, retail banking, financial markets, and unallocated classes.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retail banking mainly provides individual customers with financial products and services including deposits and loans.

Financial markets mainly performs inter-financial institution lending and borrowing, financial investment and wealth management.

Unallocated classes of business perform the businesses not included in the above three segments or cannot be allocated with appropriate basis.

	Year ended December 31, 2021				
	Corporate Banking	**Retail Banking**	**Financial Markets**	**Unallocated**	**Total**
Net interest income/(expenses) from external customers	1,320,540	(253,118)	314,805	–	1,382,227
Inter-segment net interest income/(expenses)	(90,621)	542,940	(452,319)	–	–
Net interest income	1,229,919	289,822	(137,514)	–	1,382,227
Net fee and commission income	11,047	390	21,277	–	32,714
Net gains on trading activities	–	–	171,240	–	171,240
Net gains on financial investments	–	–	11,008	–	11,008
Other operating income	14,941	6,874	1,078	760	23,653
Operating income	1,255,907	297,086	67,089	760	1,620,842
Operating expense	(436,552)	(93,246)	(64,809)	(12,147)	(606,754)
– Depreciation and amortisation	(47,449)	(24,056)	(3,458)	(2,280)	(77,243)
– Others	(389,103)	(69,190)	(61,351)	(9,867)	(529,511)
Expected credit losses	(536,980)	(55,972)	(51,710)	–	(644,662)
Impairment losses	(287)	(146)	(21)	(14)	(468)
Profit before income tax	282,088	147,722	(49,451)	(11,401)	368,958
Capital expenditure	(37,380)	(18,951)	(2,724)	(1,796)	(60,851)

	Year ended December 31, 2021				
	Corporate Banking	**Retail Banking**	**Financial Markets**	**Unallocated**	**Total**
Segment assets	32,176,132	6,477,951	28,883,163	24,405	67,561,651
Segment liabilities	28,616,273	20,730,064	10,949,090	11,210	60,306,637

	Year ended December 31, 2022				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Net interest income/(expenses) from external customers	1,798,149	(413,102)	367,227	–	1,752,274
Inter-segment net interest (expenses)/income	(358,793)	733,636	(374,843)	–	–
Net interest income	1,439,356	320,534	(7,616)	–	1,752,274
Net fee and commission income	28,142	109	11,125	–	39,376
Net gains on trading activities	–	–	(34,950)	–	(34,950)
Net gains on financial investments	–	–	86,544	–	86,544
Other operating income	14,590	7,561	1,115	502	23,768
Operating income	1,482,088	328,204	56,218	502	1,867,012
Operating expense	(493,692)	(85,378)	(67,000)	(9,285)	(655,355)
– Depreciation and amortisation	(47,477)	(23,952)	(3,624)	(1,635)	(76,688)
– Others	(446,215)	(61,426)	(63,376)	(7,650)	(578,667)
Expected credit losses	(423,467)	(34,769)	(270,072)	–	(728,308)
Impairment losses	(3,603)	(1,818)	(275)	(124)	(5,820)
Profit before income tax	561,326	206,239	(281,129)	(8,907)	477,529
Capital expenditure	(24,331)	(12,275)	(1,858)	(838)	(39,302)

	Year ended December 31, 2022				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Segment assets	40,803,285	5,455,640	33,078,207	15,425	79,352,557
Segment liabilities	35,154,149	25,979,254	10,601,293	10,629	71,745,325

	Year ended December 31, 2023				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Net interest income/(expenses) from external customers	1,870,698	(584,026)	498,839	–	1,785,511
Inter-segment net interest (expenses)/income	(310,038)	1,030,085	(720,047)	–	–
Net interest income	1,560,660	446,059	(221,208)	–	1,785,511
Net fee and commission income	20,434	468	23,017	–	43,919
Net gains on trading activities	–	–	291,821	–	291,821
Net gains on financial investments	–	–	10,637	–	10,637
Other operating income	23,377	11,878	1,790	826	37,871
Operating income	1,604,471	458,405	106,057	826	2,169,759
Operating expense	(431,813)	(213,740)	(37,890)	(14,760)	(698,203)
– Depreciation and amortisation	(43,414)	(22,058)	(3,325)	(1,535)	(70,332)
– Others	(388,399)	(191,682)	(34,565)	(13,225)	(627,871)
Expected credit losses	(793,272)	(91,818)	(43,488)	–	(928,578)
Impairment losses	(254)	(129)	(19)	(9)	(411)
Profit before income tax	379,132	152,718	24,660	(13,943)	542,567
Capital expenditure	(42,431)	(21,560)	(3,250)	(1,500)	(68,741)

	Year ended December 31, 2023				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Segment assets	48,262,209	5,376,852	38,673,905	16,478	92,329,444
Segment liabilities	40,116,766	34,216,033	9,815,015	9,730	84,157,544

	Six months ended June 30, 2023				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
(Unaudited)					
Net interest income/(expenses) from external customers	897,936	(284,012)	248,781	–	862,705
Inter-segment net interest (expenses)/income	(118,554)	452,519	(333,965)	–	–
Net interest income	779,382	168,507	(85,184)	–	862,705
Net fee and commission income	9,480	(382)	7,031	–	16,129
Net gains on trading activities	–	–	183,163	–	183,163
Net gains on financial investments	–	–	555	–	555
Other operating income	8,288	4,168	622	311	13,389
Operating income	797,150	172,293	106,187	311	1,075,941
Operating expense	(244,438)	(38,061)	(41,516)	(5,145)	(329,160)
– Depreciation and amortisation	(22,456)	(11,295)	(1,687)	(843)	(36,281)
– Others	(221,982)	(26,766)	(39,829)	(4,302)	(292,879)
Expected credit losses	(408,614)	865	(47,793)	–	(455,542)
Impairment losses	–	–	–	–	–
Profit before income tax	144,098	135,097	16,878	(4,834)	291,239
Capital expenditure	(12,208)	(6,141)	(917)	(458)	(19,724)
Segment assets	44,666,321	5,173,112	37,692,364	17,010	87,548,807
Segment liabilities	38,479,162	29,853,528	11,313,197	18,804	79,664,691

	Six months ended June 30, 2024				
	Corporate Banking	Retail Banking	Financial Markets	Unallocated	Total
Net interest income/(expenses) from external customers	921,333	(405,793)	312,298	–	827,838
Inter-segment net interest (expenses)/income	(189,667)	635,635	(445,968)	–	–
Net interest income	731,666	229,842	(133,670)	–	827,838
Net fee and commission income	19,419	406	17,110	–	36,935
Net gains on trading activities	–	–	129,953	–	129,953
Net gains on financial investments	–	–	69,804	–	69,804
Other operating income	8,277	4,213	659	274	13,423
Operating income	759,362	234,461	83,856	274	1,077,953
Operating expense	(216,079)	(106,539)	(20,196)	(6,861)	(349,675)
– Depreciation and amortisation	(19,630)	(9,992)	(1,562)	(648)	(31,832)
– Others	(196,449)	(96,547)	(18,634)	(6,213)	(317,843)
Expected credit losses	(300,557)	(24,861)	(55,878)	–	(381,296)
Impairment losses	–	–	–	–	–
Profit before income tax	242,726	103,061	7,782	(6,587)	346,982
Capital expenditure	(8,967)	(4,565)	(714)	(296)	(14,542)
Segment assets	51,132,998	5,296,956	42,625,267	14,859	99,070,080
Segment liabilities	41,713,794	40,793,813	8,057,058	13,794	90,578,459

There is no high reliance of the Group on any of the main external customers.

42 SUBSEQUENT EVENTS

Until the reporting date, the Bank has no significant subsequent events that need to be disclosed.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to June 30, 2024 and up to the date of this report.

The information set out below does not form part of the Accountant's Report prepared by the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purpose only.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

1 Liquidity ratios and leverage ratio

(1) Liquidity ratios

	As of December 31, 2021
RMB current assets to RMB current liabilities	59.18%
Foreign currency current assets to foreign currency current liabilities	N/A

	As of December 31, 2022
RMB current assets to RMB current liabilities	76.70%
Foreign currency current assets to foreign currency current liabilities	N/A

	As of December 31, 2023
RMB current assets to RMB current liabilities	90.70%
Foreign currency current assets to foreign currency current liabilities	N/A

	As of June 30, 2024
RMB current assets to RMB current liabilities	86.90%
Foreign currency current assets to foreign currency current liabilities	N/A

(2) Leverage ratio

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
Leverage ratio	10.39%	9.07%	8.93%	8.83%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the China Banking Regulatory Commission (the "CBRC") and was effective since April 1, 2015, a minimum leverage ratio of 4% is required.

The above liquidity ratios and leverage ratio were calculated in accordance with the formulas promulgated by the CBRC, and based on the financial information prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance in the People's Republic of China.

2 Currency concentrations

The Bank is principally engaged in business operations within Yibin City, the PRC, and all business activities are conducted in RMB.

The Bank has no structural position during the Track Record Period.

3 International claims

The Bank is principally engaged in business operations within Yibin City, the PRC, and regards all claims on third parties outside Chinese Mainland as international claims. The Bank has no international claims during the Track Record Period.

4 Gross amount of overdue customer loans by securities

	As at December 31, 2021									
	Overdue up to 90 days		**Overdue 90 days – 1 year**		**Overdue 1-3 years**		**Overdue over 3 years**		**Total**	
Collateralized loans	339,294	1.01%	84,079	0.25%	172,952	0.51%	145,451	0.43%	741,776	2.20%
Pledged loans	8,395	0.02%	1,650	0.00%	3,193	0.01%	–	0.00%	13,238	0.04%
Guaranteed loans	82,569	0.24%	25,693	0.08%	99,668	0.30%	37,235	0.11%	245,165	0.73%
Unsecured loans	71,518	0.21%	1,103	0.00%	200,856	0.60%	530	0.00%	274,007	0.81%
Total	501,776	1.49%	112,525	0.33%	476,669	1.41%	183,216	0.54%	1,274,186	3.78%

	As at December 31, 2022									
	Overdue up to 90 days		Overdue 90 days – 1 year		Overdue 1-3 years		Overdue over 3 years		Total	
Collateralized loans	222,105	0.56%	81,745	0.21%	99,290	0.25%	164,351	0.42%	567,491	1.44%
Pledged loans	26,130	0.07%	–	0.00%	–	0.00%	–	0.00%	26,130	0.07%
Guaranteed loans	114,888	0.29%	30,665	0.08%	80,535	0.20%	29,254	0.07%	255,342	0.65%
Unsecured loans	14,717	0.04%	16,613	0.04%	1,407	0.00%	684	0.00%	33,421	0.08%
Total	377,840	0.96%	129,023	0.33%	181,232	0.46%	194,289	0.49%	882,384	2.23%

	As at December 31, 2023									
	Overdue up to 90 days		Overdue 90 days – 1 year		Overdue 1-3 years		Overdue over 3 years		Total	
Collateralized loans	102,007	0.23%	219,097	0.50%	138,056	0.31%	166,926	0.38%	626,086	1.42%
Pledged loans	17,850	0.04%	9,000	0.02%	–	0.00%	–	0.00%	26,850	0.06%
Guaranteed loans	90,515	0.21%	29,107	0.07%	37,762	0.09%	39,097	0.09%	196,481	0.45%
Unsecured loans	12,056	0.03%	6,338	0.01%	15,602	0.04%	762	0.00%	34,758	0.08%
Total	222,428	0.50%	263,542	0.60%	191,420	0.43%	206,785	0.47%	884,175	2.01%

	As at June 30, 2024									
	Overdue up to 90 days		Overdue 90 days – 1 year		Overdue 1-3 years		Overdue over 3 years		Total	
Collateralized loans	320,171	0.68%	105,439	0.23%	248,126	0.53%	146,981	0.31%	820,717	1.75%
Pledged loans	6,300	0.01%	2,791	0.01%	5,700	0.01%	–	0.00%	14,791	0.03%
Guaranteed loans	257,494	0.55%	214,346	0.46%	23,258	0.05%	32,334	0.07%	527,432	1.13%
Unsecured loans	15,282	0.03%	4,298	0.01%	7,532	0.02%	582	0.00%	27,694	0.06%
Total	599,247	1.28%	326,874	0.70%	284,616	0.61%	179,897	0.38%	1,390,634	2.97%

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Bank, as set forth in Appendix I to this Prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this Prospectus and the "Accountant's Report" set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Bank prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the shareholders of the Bank as of June 30, 2024 as if the Global Offering had taken place on June 30, 2024.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Bank as at June 30, 2024 or at any future dates following the Global Offering.

		Pro forma adjustment			
	Audited Consolidated net tangible assets attributable to the shareholders of the Bank as at June 30, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to the shareholders of the Bank as at June 30, 2024	Unaudited pro forma adjusted net tangible assets per Share	
	RMB million	*RMB million*	*RMB million*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on the Offer Price of HK$2.59 per Offer Share	9,295	1,586	10,881	2.37	2.56
Based on the Offer Price of HK$2.72 per Offer Share	9,295	1,667	10,962	2.39	2.58

Notes:

(1) The consolidated net tangible assets attributable to the shareholders of the Bank as of June 30, 2024 are based on the consolidated net assets attributable to the shareholders of the Bank of RMB9,326 million after deduction of intangible assets of RMB31 million.

(2) The estimated net proceeds from the Global Offering are based on 688,400,000 H Shares to be issued pursuant to the Global Offering and the indicative Offer Price of HK$2.59 per Offer Share and HK$2.72 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the estimated underwriting fees and other related expenses (excluding those listing expenses of approximately RMB1,714,000 which have been accounted for in the consolidated statements of comprehensive income prior to June 30, 2024) paid/payable by the Bank.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments as described in Note (2) above and on the basis that 4,588,400,000 Shares were in issue assuming that the Global Offering has been completed on June 30, 2024 but take no account of any Shares which may be issued upon the exercise of the Over-Allotment Option.

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.92545. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Bank entered into subsequent to June 30, 2024.

REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Yibin City Commercial Bank Co., Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yibin City Commercial Bank Co., Ltd (the "Bank") and its subsidiaries (collectively the "Group") by the directors of the Bank (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at June 30, 2024, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-2 of the Bank's prospectus dated December 30, 2024, in connection with the proposed initial public offering of the shares of the Bank (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at June 30, 2024 as if the proposed initial public offering had taken place at June 30, 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended June 30, 2024, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, December 30, 2024

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, makes no predictions on changes in or adjustments to relevant laws or policies and does not constitute any comments or suggestions accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to changes or adjustments and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital gains and profit tax, business tax/appreciation tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "IIT Law") which was last amended on August 31, 2018 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced or waived by an applicable tax treaty.

Pursuant to the Notice of the State Taxation Administration ("SAT") on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 45) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of treaty countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of

H Shares receiving dividends who are citizens of treaty countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law") which was last amended as of December 29, 2018 and the Implementation Provisions for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was last amended on April 23, 2019 and became effective on the same date, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. Such income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Corporate Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) which was implemented by the SAT on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprises from Holding Stocks such as B Shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued and implemented by the SAT on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) entered into on August 21, 2006, PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) which came into effective on December 6, 2019 states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit, unless it can be confirmed that the tax benefits granted under such circumstances comply with the principles and purposes of the relevant regulations. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in jurisdictions which have entered into agreements or arrangements for the avoidance of double taxation with the PRC are entitled to a reduction of the corporate income taxes imposed on the dividends received from PRC companies. The PRC currently has entered into agreements/ arrangements regarding avoidance of double taxation with a number of countries and regions including the Hong Kong Special Administrative Region, the Macao Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements may apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Value-Added Tax ("VAT") and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) ("Circular 36"), effective from May 1, 2016, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and "sales of services within the PRC" refer to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable turnover (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer; however, individuals are exempt from VAT upon transfer of financial products.

In accordance with these rules, upon the sale or disposal of H shares, the holders are exempt from VAT in the PRC if they are non-resident individuals; in case the holders are non-resident enterprises, they are not subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located outside of the PRC whereas the holders may be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located in the PRC.

However, in the absence of explicit rules, there remains uncertainty in the interpretation and application of the foregoing rules as to whether the disposal of H Shares by non-PRC resident enterprises is subject to PRC VAT.

Income Tax

Individual Investors

According to the IIT Law and the Regulations on Implementation of the IIT Law of the PRC, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the individual income tax at a rate of 20%.

Pursuant to the Circular of the Ministry of Finance (the "MOF") and the SAT Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30,1998, from January 1, 1997, income of individuals from transfer of shares in listed enterprises continues to be exempted from individual income tax. The SAT has not stated whether it will continue to exempt individual income tax on income of individuals from transfer of listed shares in the latest amended IIT Law and its implementation regulations.

However, on December 31, 2009, the MOF, the SAT and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which became effective from January 1, 2010 and states that individuals' income from transfer of listed shares obtained from the public offering of listed companies and the transfer market on the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70), which was jointly issued by the MOF, the SAT and CSRC on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be collected from non-Chinese resident individuals on the transfer of shares in the PRC resident enterprises listed on overseas stock exchanges, and to the best of our knowledge, in practice such tax has not been collected by the PRC tax authorities.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected in reality with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》), which was issued on June 10, 2021, which came into effect on July 1, 2022, which stipulate that all entities and individuals who conclude taxable documents and engage in securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the Stamp Tax Law of the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the Latest Practicable Date, no estate duty has been levied in China under the PRC laws.

Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 (《2005年收入(取消遺產稅)條例》) abolished estate duty in respect of deaths occurring on or after February 11, 2006.

Principal Taxation of Our Bank in the PRC

Please refer to "Regulatory Overview" of this Prospectus.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authorization of the PBoC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBoC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBoC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBoC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on 30 December, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the operations and business of our Bank. Laws and regulations relating to taxation in the PRC are discussed separately in Appendix IV – "Taxation and Foreign Exchange" to this Prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to our Bank. This summary is not intended to include all the information which may be important to the potential investors. For discussion of laws and regulations which are relevant to the business of our Bank, please see the section headed "Regulatory Overview" in this Prospectus.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 revision) (《中華人民共和國立法法》(2023修正)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBoC, the State Audit Administration, organs endowed with administrative functions directly under the State Council and the organizations prescribed by laws may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization development, grassroots governance, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

The PRC Judicial System

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's tribunals based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

According to The Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) revised by Standing Committee of the NPC (the "SCNPC"), on October 26, 2018 and taking effect on January 1, 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**"), which was adopted in 1991 and last amended on December 24, 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law.

Civil cases are generally under the jurisdiction of the people's court at the place of domicile of the defendant. Parties to a dispute over a contract or any other property rights or interest may, by written agreements, choose the people's court at the place of domicile of the defendant or the plaintiff, at the place where the contract is performed or signed, at the place where the subject matter is located or at any other place actually connected to the dispute to have jurisdiction over the dispute, provided that the provisions of Civil Procedure Law regarding hierarchical jurisdiction and exclusive jurisdiction are not violated.

Foreign individuals, stateless individuals and foreign enterprises and organizations shall have the same litigation rights and obligations as citizens, legal persons and other organizations of the PRC when institute or respond to actions at people's courts. Should a foreign court limits the civil litigation rights of citizens, legal persons, and other organizations of the PRC, the people's courts of the PRC may apply the same limitations to the citizens, enterprises and other organizations of such foreign country. A foreign individual, a stateless person, a foreign enterprise or a foreign organization which needs to be represented by a lawyer in instituting or responding to an action at a people's court must engage a PRC lawyer. Under international treaties signed or acceded to by the PRC or under the principle of reciprocity, a people's court and a foreign court may require each other to act on its behalf to serve documents, conduct investigations, collect evidence and take other actions. The people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions. When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling.

A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic principles of the laws of the PRC, or the sovereignty, security, or public interests of the PRC.

The PRC Company Law, Overseas Listing Trial Measures and Guidelines for AoA

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on 29 December 1993, came into effect on 1 July 1994, revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, October 26, 2018 and December 29, 2023 respectively and the latest amendment of which will be implemented on July 1, 2024. The version currently in effect was amended in October 2018, which will be replaced on July 1, 2024 with December 2023 revision;

- The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and its five guidelines which were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023, applicable to the overseas offering and listing of joint stock limited companies; and

- The Guidelines on the Application of Regulatory Rules – No. 1 for Overseas Offering and Listing (《監管規則適用指引–境外發行上市類第1號》) which was promulgated by the CSRC on 17 February 2023, according to which the domestic companies that directly offer and list securities on overseas markets, shall formulate their articles of association making reference to the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidelines for AoA**") which was latest amended and came into effect on December 15, 2023 by the CSRC.

Set out below is a summary of the major provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for AoA.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its debts for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and make dividend distributions in foreign currency or RMB.

Under the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends. Any law that provides otherwise in relation to the amendment of details recorded in the register of members of a listed company shall prevail over the provisions of this Article.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' interest.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total issued shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Guidelines for AoA, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to require, convene, preside over, participate in or send proxies of shareholders to attend shareholders' general meeting and to exercise the corresponding voting rights according to the law;
- the right to petition the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has not been convened in compliance with the laws, regulations or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;
- the right to transfer, donate or pledge their shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to supervise, make suggestions or enquiries on the company's operations;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports;
- any shareholder who has a different view on a resolution on the merger or division of the company made by a shareholders' general meeting has the right to require the company to buy back his/its shares;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time, venue and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Under the Guidance for AoA, after the notice of the general meeting of shareholders is issued, the general meeting of shareholders shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of general meeting of shareholders shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Guidance for AoA, the board of directors and the Secretary of the board of directors will cooperate with the general meeting of shareholders convened by the board of supervisors or shareholders. The board of directors will provide the register of shareholders on the date of equity registration. Moreover, when a general meeting of shareholders is held, all directors, supervisors and the secretary of the board of directors of the company shall attend the meeting, and managers and other senior management personnel shall attend the meeting as nonvoting delegates.

Pursuant to the Guidance for AoA, shareholders who individually or jointly hold more than 3% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Guidelines for AoA, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) any purchase or sale of major assets or any provision of guarantee within one year in an amount in excess of 30% of the Company's latest audited total assets; (v) any equity incentive scheme; and (vi) any other matters specified by laws, administrative regulations or the Articles of Association and other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director are set out in the Guidance for AoA.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the RPC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;

- depositing the company's capital into accounts under his own name or the name of other individuals;

- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;

- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

- accept and possess commissions paid by a third party for transactions conducted with the company;

- unauthorized divulgence of confidential business information of the company;

- or other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidance for AoA provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders' general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of merger or division;

(iv) the business license is revoked; the company is ordered to close down or be dissolved; or

(v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;

- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

Subject to specific circumstances, the Overseas Listing Trial Measures and its guidelines require that, among other things, (i) initial public offerings or listings on overseas markets of domestic companies shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas; and (iv) if the overseas offering or listing has not been completed within one year upon the completion of the filing with CSRC, the filing documents shall be updated if such overseas offering or listing is going to further proceed.

Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Termination of Listing

The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) stipulates that the trading of shares of a company of a stock exchange may be terminated if so decided by the stock exchange.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

The Overseas Listing Trial Measures requires that, upon the occurrence of voluntary or mandatory delisting after an issuer has offered and listed securities on an overseas market, the issuer shall submit a report to CSRC within three working days after the occurrence and public announcement of such event.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The PRC Securities Law (《中華人民共和國證券法》) took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission).

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, shall apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On 18 June 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on 1 February 2000. In accordance with this arrangement, and its supplemental arrangements, awards made by Mainland arbitral authorities recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral authorities may also be enforced in the Mainland. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral authorities in the Mainland will be against public interests of the Mainland, or the Hong Kong courts determine that the enforcement of the award in Hong Kong violates the public policy of Hong Kong, the awards may not be enforced.

Judicial Judgment and Its Enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

Summary of Material Differences Between Certain Aspects of Company Law in the PRC and Hong Kong

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, shall be incorporated by the Registrar of Companies in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The amended PRC Company Law which came into effect on 26 October 2018 has no provision on the minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company.

The PRC Company Law provides that any increase in a Company's registered capital must be approved by its shareholders' general meeting and filed with the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). If capital contribution is made other than in cash, valuation and verification of the assets contributed must be carried out and converted into shares according to the laws. Non-monetary assets used for capital contributions shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in RMB, may only be subscribed for and traded by the government or government authorized departments, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in RMB and subscribed for in a foreign currency other than RMB, may only be subscribed for, and traded by investors from Hong Kong, Macau or Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, qualified institutional investors and individual investors may trade Southbound Hong Kong trading Link and Northbound Shanghai trading Link (or the Northbound Shenzhen trading Link) shares via participating in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Upon the completion of filing with the CSRC for "full circulation", the domestic unlisted shares of the H share listed company might be converted to H shares and listed and circulated on the Hong Kong Stock Exchange.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares issued prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the 6-month lock-up on the company's issue of shares and the 12-month lock-up on controlling shareholders' disposal of shares under the Hong Kong Listing Rules.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Guidelines for AoA contains special restrictions provisions on a company and its subsidiaries on providing aforesaid financial assistance similar to those under the Companies Ordinance.

Variation of Class Rights

The PRC Company Law has no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation;

(ii) with the written consent of shareholders representing at least 75% of the total voting rights of shareholders of the relevant class; or

(iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The PRC Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of supervisory board. There is no mandatory requirement for the establishment of supervisory board for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisory board violates their obligations and cause damages to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of aforesaid written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so. In addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The PRC Company Law provides that a company which encounters substantial operational or management difficulties, and its continuance will cause significant loss to the interests of its shareholders and the situation cannot be resolved by other means, shareholders of the company who hold more than 10% of the voting rights of all shareholders may apply to a people's court for the dissolution of the company.

The Guidance for AoA, however, contains provisions that controlling shareholders and ultimate controllers of a company shall have a duty of care to the company and general public shareholders of the Company. Controlling shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of a company or of general public shareholders of the company in any way such as via the distribution of profits, the asset reorganization, external investments, the use of company funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the company or of general public shareholders of the company.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an interim general meeting must be given to shareholders no less than 20 days and 15 days before the date of such meeting, respectively. The relevant provisions in the PRC Company Law shall generally apply to the requirements in respect of the notice period for the convening of general meetings, shareholders' rights to propose resolutions and the procedures of convening general meetings by joint stock limited companies which are incorporated within the PRC and listed overseas as approved by the Official Reply of the State Council regarding the Adjustment on the Provisions Applicable to Matters Including the Notice Period for the Convening of General Meetings by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》).

For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least seven days for an unlimited company.

Quorum for Shareholders' General Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member.

The PRC Company Law does not specify the quorum for a shareholders' general meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly issued must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared become liabilities payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC laws this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court.

Under the PRC laws, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders at the shareholders' general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited company is required to contribute 10% of the profit into their statutory reserve funds before distribution of their post-tax profits of the current year, unless the aggregate balance of the statutory reserve has already accounted for over 50% of the company's registered capital. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of such limitation of actions.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent. Under the Guidelines for AoA, directors, supervisors and senior management should also be loyal and diligent.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year. Whereas, as required by the Company Law, share transfers shall not be registered within 20 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends. Any law that provides otherwise in relation to the amendment of details recorded in the register of members of a listed company shall prevail over the provisions of this Article.

1. SHARE ISSUANCE

The total capital of the Bank is divided into equal shares with a face value of RMB1 per share. The shareholders of the Bank are liable for the its obligations up to the amount of their shares, and the Bank is liable for its debts with all its assets.

The shares of the Bank are issued in accordance with the principles of openness, fairness, and impartiality. Each share of the same class shall confer equal rights and obligations. The shares of the Bank shall be issued in the form of share certificates, and the Bank shall maintain ordinary shares at all times. With the approval of the relevant regulatory authorities, the Bank may also maintain other types of shares as needed. The share certificates issued by the Bank serve as evidence of ownership by the shareholder. Shareholders of both H Shares and domestic unlisted shares have equal rights and obligations as ordinary shareholders.

The shares of the Bank are subscribed in accordance with the Company Law, Banking Supervision and Regulatory Law, Commercial Banking Law, and the rules of securities regulatory authorities and relevant laws and regulations in the place where the securities are listed, as well as the articles of association of the Bank. The Bank or its subsidiaries (including its affiliates) shall not provide any financial assistance in the form of gifts, deposits, guarantees, compensation, or loans to persons subscribing to or intending to subscribe to the shares of the Bank.

2. CAPITAL INCREASE, REDUCTION AND REPURCHASE

Based on operational and development needs, the Bank may increase its capital as follows by resolutions in the general meeting and as approved by the banking supervision and regulatory authorities in accordance with laws and regulations:

(1) Public share issuance;

(2) Non-public share issuance;

(3) Bonus issue of shares to existing shareholders;

(4) Capital increase by capitalization of reserves;

(5) Other forms approved by laws, administrative regulations, relevant supervisory and management authorities.

The Bank may reduce its registered capital, after which the registered capital shall not be lower than the statutory minimum. The Bank must prepare a balance sheet and list of assets when registered capital reduction is required. The reduction of registered capital by the Bank shall be in accordance with the procedures stipulated in the Company Law, Banking Supervision and Regulatory Law, Commercial Banking Law and other relevant requirements, and the articles of association of the Bank.

Subject to the permission of the laws, regulations and the Hong Kong Listing Rules, pursuant to the procedures stipulated in the articles of association of the Bank, and with the approval of the banking supervision and regulatory authorities and other relevant regulatory authorities, the Bank may repurchase its outstanding shares in the following circumstances:

(1) Cancellation of shares for registered capital reduction of the Bank;

(2) Merger with other companies holding the shares of the Bank;

(3) Use of shares for employee stock ownership plan or share incentives;

(4) Requests by shareholders who dissent from the resolutions of the general meeting regarding mergers or spin-offs for the Bank to repurchase their shares;

(5) Use of shares for the conversion of the convertible corporate bonds of the Bank;

(6) Where it is necessary for the protection of the value of the Bank and shareholders' interests;

(7) Other circumstances as allowed by laws, regulations, securities listing rules where the securities are listed, and relevant departments of the government.

If the Bank repurchases its shares for the reasons mentioned in subsections (1) to (2) above, it must be approved in the general meeting. If the Bank repurchases its shares for the reasons mentioned in subsections (3), (5), or (6), it can be authorized by the articles of association of the Bank or the shareholders' general meeting and approved in the meeting of the board attended by more than two-thirds of the directors.

After the Bank repurchases its shares according to the first article, if it falls under subsection (1), they should be canceled within ten days from the date of repurchase. If it falls under subsections (2) or (4), it should be transferred or canceled within six months. If it falls under subsections (3), (5) or (6), the total number of shares held by the Bank should not exceed 10% of the total issued shares of the Bank, and it should be transferred or canceled within three years.

If the Bank repurchases its shares, it should fulfill the obligation of information disclosure in accordance with relevant regulatory provisions. If the Bank repurchases its shares according to subsections (3), (5) or (6) of the first article, it should be conducted through public centralized trading.

If the securities regulatory authorities where the securities of the Bank are listed has other provisions regarding the repurchase of shares, those provisions shall apply.

3. SHARE TRANSFER

The shares of the Bank can be transferred in accordance with the law, but only in compliance with the law, administrative regulations and relevant stipulations of the securities regulatory authorities, securities exchanges and banking supervision and regulatory authorities where the securities of the Bank are listed, and the provisions of this article. Changes in the shareholders and shares of the Bank must also be in compliance with the registration, custody, declaration, information disclosure and other requirements of the securities regulatory rules where the securities of the Bank are listed.

Unless otherwise provided by laws, regulations and relevant policies, shareholders of the Bank shall not withdraw their shares. The shares of the Bank can be transferred or gifted in accordance with the law, except under the following circumstances:

(1) Those of substantial shareholders within five years from the date of share settlement, except with the approval of regulatory authorities.

(2) Shares held by promoters of the Bank cannot be transferred within one year from the incorporation of the Bank. Shares of the Bank that had been issued before the public offering cannot be transferred within one year from the date on which the shares of the Bank are listed and traded on the relevant stock exchange.

(3) Directors, supervisors, and senior executives of the Bank must declare the shares of the Bank they hold and respective changes. During their tenure, the shares they transfer each year shall not exceed 25% of their total shareholding in the Bank. The shares they hold cannot be transferred within one year from the date the shares are listed and traded on the relevant stock exchange. Within six months after leaving their positions, the persons stated above are not allowed to transfer the shares of the Bank they hold.

(4) Other circumstances where transfer is prohibited as stipulated by laws and regulations, relevant regulatory and management authorities, and the securities regulatory rules where the securities of the Bank are listed.

4. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

The Bank shall establish a register of members based on the evidence provided by the securities registrar. The register of members serves as conclusive evidence of ownership of the shares of the Bank by the shareholder. Shareholders are entitled to rights and obligations based on the type of shares they hold. Shareholders holding the same type of shares have equal rights and obligations. When the Bank convenes a general meeting, pay dividends, liquidates, or engages in other activities that require confirmation of shareholder identity, the record date is determined by the board of directors or the convener of the general meeting. Shareholders registered in the register at market close on the record date are entitled to relevant rights.

Ordinary shareholders of the Bank have the following rights:

(1) The right to dividends and other forms of profit distribution in proportion to their shareholding;

(2) The right to request, convene, preside over, attend, or appoint proxy representatives to attend general meetings, exercise corresponding voting rights, and speak at general meetings;

(3) The right to supervise the operations of the Bank, make suggestions, or raise inquiries;

(4) The right to transfer, gift or pledge their shares in accordance with the law, administrative regulations and the articles of association;

(5) The right to access the articles of association, register of members, corporate bonds, minutes of general meetings, resolutions of the board of directors, resolutions of the supervisory board and financial accounting reports;

(6) The right to participate in the distribution of residual assets of the Bank in proportion to their shareholding upon dissolution or liquidation of the Bank;

(7) The right for shareholders who dissent from resolutions of the general meeting regarding mergers or spin-offs to request the Bank to repurchase their shares;

(8) Other rights provided by laws, administrative regulations, departmental rules, the securities regulatory rules where the Bank is listed, or the articles of association.

Shareholders of the Bank have the following obligations:

(1) Comply with laws, regulations, regulatory requirements, and the articles of association of the Bank;

(2) Pay for shares in full in a timely manner, in accordance with their subscription of shares and way of investment; use legally sourced proprietary funds to invest in the Bank and not to use entrusted funds, debt funds or other non-proprietary funds, except as otherwise provided by laws, regulations or regulatory systems;

(3) Comply with regulatory requirements in the proportion of shareholding and the number of shareholding institutions, and not to entrust others or accept the entrustment of others to hold shares in the Bank;

(4) Provide the Bank truthfully with information on financials, equity structure, source of investment funds, controlling shareholders, ultimate controlling persons, related parties, concerted action parties, ultimate beneficiaries and investments in other financial institutions, in accordance with laws, regulations, and regulatory requirements;

(5) If there are changes in the controlling shareholders, ultimate controlling persons, related parties, concerted action parties, or ultimate beneficiaries of shareholders, relevant shareholders must promptly inform the Bank of the changes in writing in accordance with laws, regulations, and regulatory requirements;

(6) If shareholders undergo mergers or spin-off, are subjected to measures such as ordered suspension of business rectification, designated custody, takeover or revocation, or enter into dissolution, liquidation or bankruptcy proceedings, or if there are changes in their legal representatives, company names, business premises, business scopes or other significant matters, they must promptly inform the Bank of the relevant circumstances in writing in accordance with laws, regulations, and regulatory requirements;

(7) If the shares in the Bank held by shareholders are involved in litigation, arbitration, legal coercive measures taken by judicial authorities, or are pledged or released from pledge, shareholders must promptly inform the Bank of the relevant circumstances in writing in accordance with laws, regulations and regulatory requirements;

(8) When shareholders transfer or pledge their shares in the Bank or engage in related party transactions with the Bank, they must comply with laws, regulations, and regulatory requirements and must not prejudice the interests of other shareholders and the Bank;

(9) Shareholders of the Bank and their controlling shareholders and ultimate controlling persons must not abuse shareholder rights or exploit their relationship with connected persons to prejudice the legitimate rights and interests of the Bank, other shareholders and relevant stakeholders. They must not interfere with the decision-making and management rights entitled by the board of directors and senior management in accordance with the articles of association, and must not directly intervene in the operations and management in the Bank by bypassing the board of directors and senior management;

(10) In the event of any risk events or significant violations within the Bank, the substantial shareholders of the Bank must cooperate with regulatory authorities in conducting investigations and handling risks, strictly implement relevant regulatory measures and requirements, and actively maintain the stability of operations of the Bank;

(11) Other obligations that shareholders shall assume as stipulated by laws, regulations, regulatory requirements and the articles of association of the Bank.

Shareholders of the Bank shall undertake that:

(1) They will not seek any benefits beyond those stipulated by law;

(2) They will strictly adhere to the regulations related to connected transactions;

(3) Substantial shareholders should support the board of directors of the Bank in formulating a reasonable capital planning. They should provide a long-term commitment in writing to supplement the capital of the Bank as necessary, as a part of the its capital planning, to ensure that the its capital continuously meets regulatory requirements. In the event that the Bank has insufficient capital to meet regulatory requirements, a capital supplementation plan should be put in place to ensure that the capital adequacy ratio meets regulatory requirements within the specified period, and capital should be supplemented by means of core capital increase. Substantial shareholders should not impede other shareholders from supplementing the capital of the Bank or qualified new shareholders from entering;

(4) Substantial shareholders of the Bank should provide written undertaking in respect of declarations, compliance and responsibility and fulfil them in accordance with regulatory requirements. If a substantial shareholder violates the said undertaking, the Bank may impose restrictions on their rights to participate in operations and management, including rights related to convening general meetings, voting rights, nomination rights, proposal rights, and disciplinary rights.

5. GENERAL MEETING

The general meeting of the Bank comprises all shareholders and serves as the highest authority representing the collective interests of the shareholders.

In the following circumstances, an extraordinary general meeting should be convened within two months:

(1) The number of directors falls below two-thirds of the number stipulated in the articles of association;

(2) The unremedied losses of the Bank reach one-third of the total share capital;

(3) Shareholders individually or collectively holding more than 10% of the total shares of the Bank make a written request;

(4) It is agreed by more than half but not less than two independent directors;

(5) It is deemed necessary by the board of directors;

(6) It is proposed to be convened by the supervisory board;

(7) Other circumstances required by laws, administrative regulations, departmental rules, securities regulatory rules where the securities of the Bank are listed, or other circumstances specified in the articles of association of the Bank.

The extraordinary general meeting can only make resolutions on matters stated in the notice.

At the general meeting of the Bank, the board of directors, the supervisory board and shareholders individually or collectively holding more than 3% of shares of the Bank have the right to propose motions to the Bank. Shareholders individually or collectively holding more than 3% of the shares of the Bank can submit temporary motions in writing to the convener ten days before the general meeting and provide them to the convener. The convener shall issue a supplementary notice for the general meeting to announce the content of the temporary motions, within two days of receiving the motions.

Except for the circumstances specified above, after issuing the notice and announcement of the general meeting, the convener shall not modify the motions already stated in the notice or add new motions.

The annual general meeting shall be notified to all shareholders at least twenty days in advance, and an extraordinary general meeting should be notified to all shareholders at least fifteen days in advance. If the securities regulatory rules where the securities of the Bank are listed provides otherwise regarding the notification period, the longer period shall prevail.

The resolutions of the general meeting are divided into ordinary resolutions and special resolutions. For ordinary resolutions, there must be more than half of effective voting shares held by shareholders (including shareholder proxies) present at the general meeting voting in favor for the resolution to be approved. For special resolutions, there must be at least two-thirds of the effective voting shares held by the shareholders (including shareholder proxies) present at the general meeting voting in favor for the resolution to be approved.

The following matters are approved by ordinary resolutions in the general meeting: (1) reports of the board of directors and the supervisory board; (2) annual reports of the Bank; (3) annual budget and final accounts of the Bank; (4) remuneration and payment methods of the members of the board of directors and the supervisory board; (5) removal of directors before the expiration of their terms, except as stipulated by laws, administrative regulations or regulatory requirements; (6) approval of profit distribution schemes and loss compensation schemes; (7) other matters except those requiring special resolutions as stipulated by laws, administrative regulations, securities regulatory rules where the securities of the Bank are listed, or the articles of association of the Bank.

The following matters are approved by special resolutions in the general meeting: (1) amendments to the articles of association of the Bank; (2) rules of procedure for the general meeting and the board meeting; (3) procedures for nomination and election of directors and supervisors; (4) election and change of directors and supervisors who are not employee representatives; (5) removal of independent directors in accordance with laws, administrative regulations or regulatory requirements; (6) approval of stock incentive plans or employee stock ownership plans; (7) increase or reduction of the registered capital of the Bank; (8) spin-off, merger, dissolution, liquidation or change of company form of the Bank; (9) issuance of corporate bonds or listing of the Bank; (10) major asset purchase and sale transactions exceeding 10% of the latest audited net assets of the Bank (accumulated for transactions involving the same or related assets over a consecutive twelve-month period), non-performing asset write-off transactions (accumulated over a consecutive twelve-month period), asset mortgage transactions, external equity investment transactions and connected party/connected party transactions that require decisions by the general meeting. The said major asset purchase and sale transactions refer to the investment and disposal of fixed assets (intangible assets) by the Bank; asset mortgage transactions refer to fixed assets of the Bank being mortgaged externally; (11) other matters required by laws, regulations, regulatory rules where the securities of the Bank are listed, or the articles of association of the Bank that require approval by a two-thirds majority of the voting rights held by the attending shareholders at the meeting.

6. DIRECTORS AND BOARD OF DIRECTORS

Directors are elected or changed in the general meeting. The term of office for directors is effective from the date of assumption of office to the expiration of the current term of the board of directors. If the term of office for directors expires without timely reelection, or if a director resigns during the term of office which affects the normal operation of the Bank or leads to the number of board members falling below the statutory requirement, the outgoing directors shall continue to perform their duties in accordance with the laws and regulations until the newly elected directors assume office. The position of director may also be concurrently held by the President or other senior management personnel, but the total number of directors concurrently holding the position of President or other senior management personnel, together with directors appointed as employee representatives, shall not exceed half of the total number of directors of the Bank.

Each term of office for board members is three years, and they can be re-elected. Independent directors may serve in the Bank for a cumulative period not exceeding six years.

Directors shall comply with laws, administrative regulations and these articles of association, and they shall bear the following fiduciary duties to the Bank: (1) they shall not accept bribes or other illegal income through their authority and shall not embezzle the property of the Bank; (2) they shall not divert the funds of the Bank; (3) they shall not open accounts in their own name or in the name of others for keeping the assets or funds of the Bank; (4) they shall not violate the provisions of these articles of association, and lend funds of the Bank to others or provide guarantees using assets of the Bank without the consent of the general meeting or the board of directors; (5) they shall not enter into contracts or engage in transactions with the Bank in violation of these articles of association or without the consent of the general meeting; (6) they shall not seek business opportunities through their position that rightfully belong to the Bank for themselves or others, operate businesses of the same nature as the business of the Bank on their own or on behalf of others, without the consent of the general meeting; (7) they shall not retain commissions from transactions with the Bank; (8) they shall not disclose the trade secrets of the Bank without authorization; (9) they shall not exploit their affiliations to harm the interests of the Bank; (10) they shall fulfill other fiduciary duties as stipulated by laws, administrative regulations, departmental rules and these articles of association. Any income earned by directors in violation of these provisions shall be reverted to the Bank, and they shall bear liability for compensation for any losses incurred to the Bank.

Directors shall comply with laws, administrative regulations, the securities regulatory rules where the securities of the Bank are listed, and these articles of association. They have the following fiduciary duties to the Bank: (1) they shall exercise the rights granted by the Bank with caution, conscientiousness and diligence to ensure that the business activities of the Bank are in compliance with national laws, administrative regulations and various national economic policies, and that commercial activities are within the scope of business specified in the business license; (2) they shall treat all shareholders fairly; (3) they shall timely understand the business operations and management status of the Bank; (4) they shall regularly give written confirmation for opinions on regular reports of the Bank, to ensure that the information disclosed by the Bank is true, accurate and complete; (5) they shall truthfully provide relevant information and materials to the supervisory board and shall not obstruct the supervisory board or supervisors from exercising their powers; (6) they shall fulfill other fiduciary duties as stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules where the securities of the Bank are listed, and these articles of association.

The board of directors shall determine the authority for external equity investments, acquisition and sale of assets, write-off of non-performing assets, asset mortgages, connected party transactions and other matters. Strict review and decision-making procedures shall be established. For major investment projects, relevant experts and professionals shall be consulted as necessary for evaluation. After approval by at least two-thirds of the board of directors, they should be brought to the general meeting for approval.

7. Board committees

The board of directors shall establish special committees, either individually or collectively, based on laws, regulations, regulatory requirements and the securities regulatory rules where the securities of the Bank are listed, as well as the circumstances of the Bank. They may include the Strategic Development Committee, Audit Committee, Connected Transactions Control Committee, Risk Management Committee, Compensation Committee, Nomination Committee, Consumer Rights Protection Committee and other special committees.

Special committees shall consist of directors and possess the professional knowledge or work experience required by the securities regulatory rules where the securities of the Bank are listed, which is appropriate for their respective responsibilities. The committee shall consist of not less than three members.

In the Audit, Nomination, Compensation, Risk Management and Connected Transactions Control Committees, the proportion of independent directors shall generally consist of not less than one-third of the members. Among them, all members of the Audit Committee shall be non-executive directors, and independent directors shall constitute a majority in the Audit, Nomination, and Compensation Committees. The chairperson or person-in-charge of the Audit, Nomination, Compensation and Connected Transactions Control Committees shall be independent directors.

8. SUPERVISORS AND BOARD OF SUPERVISORS

The Bank has established a Board of Supervisors, which shall consist of not less than three members. The Board of Supervisors comprises Shareholder Supervisors, Employee Supervisors and External Supervisors, where the proportion of Employee Supervisors and External Supervisors shall not be less than one-third of the members. External Supervisors shall not concurrently hold positions in more than two commercial banks, and shall not serve as External Supervisors in financial institutions where conflicts of interest may arise.

Supervisors shall comply with laws, regulations, the securities regulatory rules where the securities of the Bank are listed, and these articles of association. They have the fiduciary duty and obligation of diligence towards the Bank and shall not use their authority to accept bribes or any other gains by illegal means, or misappropriate the assets of the Bank.

Significant decisions of the Bank shall be notified to the Board of Supervisors in advance, and the Board of Supervisors shall be provided with information on operational and financial conditions, important contracts, significant events and cases, audit matters, significant changes in personnel and other information requested by the Board of Supervisors.

9. SENIOR MANAGEMENT

The Bank has a system in place where the President is held accountable under the leadership of the Board of Directors. The Bank appoints one President and a certain number of Vice Presidents. The President can be nominated by the Chairman of the Board, the Nomination Committee of the Board, or more than one-third of the directors. The Vice Presidents are nominated by the President, after preliminary review by the Nomination Committee and deliberation by the Board of Directors, their qualifications are examined and approved by the banking supervision and regulatory authorities. They are appointed by the Board of Directors and their term of appointment is the same as that of the Board of Directors.

Senior management personnel shall undergo qualification checks conducted by the banking supervision and regulatory authorities. Proposed and current senior management personnel shall meet the same qualifications as prescribed for proposed and current directors in these articles of association, as well as other requirements stipulated by laws, regulations and the banking supervision and regulatory authorities.

Substantial shareholders and employees of their affiliated group of companies should in principle not concurrently hold positions as senior management personnel of the Bank.

10. FINANCIAL ACCOUNTING AND PROFIT DISTRIBUTION

The Bank shall deposit reserve funds, make provisions and write off bad debts in accordance with relevant regulations of the PRC.

The Bank shall adjust its profit distribution policy based on its operating conditions, risk profile, capital planning and market environment. The Bank shall carefully design profit distribution plans and balance cash dividends and capital replenishment. The Bank shall reduce or refrain from cash dividends in the following circumstances: (1) capital adequacy ratio does not meet regulatory requirements or solvency falls below standard; (2) corporate governance assessment results are below grade C or regulatory rating is below grade 3; (3) impairment loss of loans are below regulatory requirements or non-performing loan ratio is significantly higher than industry average; (4) there are significant risk events or major violations; (5) other circumstances where the China Banking and Insurance Regulatory Commission and its agencies determine that dividends should not be paid. Substantial shareholders shall support the prudent profit distribution plan adopted by the Bank.

The Bank may pay dividends in the form of cash or rights issue. The distribution plan shall be approved by the general meeting, and the Bank must complete the distribution of dividends or shares within the time approved by relevant laws, regulations and banking supervision and regulatory authorities. Dividends for domestic unlisted shares are paid in Renminbi, while dividends for H shares can be paid in Renminbi or foreign currencies.

11. MERGER, SPIN-OFF, DISSOLUTION AND LIQUIDATION

The Bank may engage in mergers or spin-offs by resolution in general meeting and in accordance with the law. Mergers can take the form of absorption merger or consolidation merger. When one company absorbs another, it is considered an absorption merger, where the absorbed company is dissolved. When two or more companies merge to establish a new company, it is considered a consolidation merger, where all merging parties are dissolved.

The Bank shall be dissolved and liquidated in the following circumstances: (1) dissolution by resolution in general meeting; (2) dissolution due to merger or spin-off; (3) revocation or bankruptcy in accordance with the law as approved by the banking supervision and regulatory authorities due to the inability to repay debts as they fall due; (4) severe operational difficulties in the Bank where, in case of continuance of the Bank, significant losses would be incurred by shareholders and cannot be resolved through other means, in which case shareholders holding more than 10% of the total voting rights can request the dissolution of the Bank at the Court; (5) violation of laws and regulations resulting in the revocation of the business license, operating permits or closure in accordance with the law.

If the Bank is dissolved as stipulated in item (1) or (4) of this article, a liquidation team shall be established within 15 days after approval by the banking supervision and regulatory authorities, and its members should be determined by an ordinary resolution of the general meeting. If the Bank is dissolved as stipulated in item (3) of this article, with the consent of the banking supervision and regulatory authorities, the bankruptcy shall be declared by the court according to the law. In case of a commercial Bank being declared bankrupt, the court shall form a liquidation team consisting of representatives from the relevant departments such as banking supervision and regulatory authorities and relevant personnel to conduct the liquidation.

If the Bank is dissolved as stipulated in item (5) of this article, the banking supervision and regulatory authorities shall form a liquidation team consisting of shareholders, relevant agencies and relevant professionals to execute the liquidation.

The merger, spin-off, dissolution, liquidation, bankruptcy, dissolution and other matters of the Bank shall be in compliance with the provisions of the Company Law, in addition to the specific regulations of the Commercial Banking Law and banking supervision and regulatory authorities.

12. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Bank shall amend its articles of association in any of the following circumstances: (1) the provisions of the articles of association conflict with the Company Law or relevant laws, administrative regulations or securities regulatory rules where the securities are listed after their amendment; (2) there are changes in the situation of the Bank that are inconsistent with the provisions of the articles of association; (3) it is resolved in the general meeting that the articles of association be amended.

The amendment of the articles of association of the Bank shall be in compliance with the following procedures: (1) the board of directors proposes the amendment of the articles of association and its provisions; (2) the general meeting is convened to deliberate and approve the resolution to amend the articles of association; (3) proposal of amendments to the articles of association of the Bank is drafted in accordance with the resolution approved in the general meeting to amend the articles of association. If any approval, filing or reporting by the banking supervision and regulatory authorities are required, the corresponding procedures shall be carried out with the banking supervision and regulatory authorities; (4) if the amendment of the articles of association of the Bank involves company registration, such changes shall be made in accordance with the law.

1. FURTHER INFORMATION ABOUT OUR BANK

A. Incorporation

We were incorporated as a joint stock limited company in the PRC on December 27, 2006 under the name of "Yibin City Commercial Bank Co., Ltd (宜賓市商業銀行股份有限公司)". Our Bank has established a principal place of business in No. 1 Nuxue Street, Cuiping District, Yibin, Sichuan, PRC and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on July 14, 2023. Dr. NGAI Wai Fung has been appointed as our agent for the acceptance of service of process in Hong Kong. As our Bank is incorporated in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of the Articles of Association of the Bank is set out in Appendix VI to this Prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix V to this Prospectus.

B. Changes in Share Capital

At the date of our Bank's establishment as a joint stock limited company, its registered capital was RMB106,879,775, divided into 106,879,775 Domestic Unlisted Shares of nominal value of RMB1.00 each.

During the two years preceding the date of this Prospectus, there had been no changes in the share capital of our Bank.

C. Our Bank's Shareholders' Meetings Held on May 11, 2023 and June 14, 2023

At the Shareholders' meeting of our Bank held on May 11, 2023, the following resolutions were passed by the Shareholders of our Bank, among other things:

(a) the issue by our Bank of the H Shares of nominal value of RMB1.00 each up to 1,300,000,000 H Shares (without taking into account the H Shares which may be issued up on the exercise of the Over-allotment Option) and such H Shares being listed on the Stock Exchange; and

(b) the Board and its authorized person are authorized to deal with matters in connection with the Global Offering and Listing.

At the Shareholders' meeting of our Bank held on June 14, 2023, the following resolution was passed by the Shareholders of our Bank, among other things:

(a) subject to the completion of the Global Offering, the Articles of Association effective on the Listing Date has been adopted, and the Board has been authorized to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

D. Change in Share Capital of Our Bank's Subsidiaries

Our Bank's subsidiaries (for the purpose of the Listing Rules) as of the Latest Practicable Date are set out in the Accountant's Report under Appendix I to this Prospectus.

The registered capital of Neijiang Xinglong Rural Bank increased from RMB238,140,000 to RMB250,047,000 on February 24, 2023.

Save as disclosed above, there has been no other alteration in the share capital of any of the subsidiaries of our Bank within the two years immediately preceding the date of this Prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contract

Our Bank has entered into the following contract (not being contracts entered into in the ordinary course of business) within two years preceding the date of this Prospectus which is or may be material, a copy of each has been delivered to the Registrar of Companies for registration:

(a) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registration Place	Rights Holder	Category	Registration Number	Expiration Date
1	宜宾市商业银行	PRC	the Bank	42	8466564	July 20, 2031
2	宜宾市商业银行股份有限公司	PRC	the Bank	42	8466583	July 20, 2031
3		PRC	the Bank	35	8466508	August 6, 2031
4	宜宾市商业银行	PRC	the Bank	35	8466522	August 6, 2031
5		PRC	the Bank	42	8466599	July 20, 2031
6	宜宾市商业银行	PRC	the Bank	9	8462750	October 06, 2031
7		PRC	the Bank	9	8462764	July 20, 2031
8	宜宾市商业银行	PRC	the Bank	16	8462814	September 13, 2031
9	宜宾市商业银行股份有限公司	PRC	the Bank	9	8462738	October 27, 2031
10		PRC	the Bank	36	8462642	October 06, 2031
11	宜宾市商业银行	PRC	the Bank	36	8462669	August 6, 2031
12	宜宾市商业银行股份有限公司	PRC	the Bank	36	8462719	August 6, 2031
13		PRC	the Bank	16	8462806	September 6, 2031
14	宜宾市商业银行股份有限公司	PRC	the Bank	16	8462839	September 13, 2031
15	宜宾市商业银行股份有限公司	PRC	the Bank	35	8462875	August 6, 2031
16	宜宾市商业银行 Yibin City Commercial Bank 宜宾市商业银行 Yibin City Commercial Bank	Hong Kong	the Bank	36	306222429	April 18, 2033

(b) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Owner	Registration Number	Registration Date
1	Yibin City Commercial Bank LOGO	the Bank	Lu Zuo Deng Zi-2022-F-00832264	October 4, 2022
2	宜以精微　行致廣大	the Bank	Guo Zuo Deng Zi-2024-F-00104541	April 19, 2024

(c) Domain Name

As of the Latest Practicable Date, we have registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Holder	Registration Place	Expiration Date
1	宜賓銀行.cn	the Bank	PRC	July 13, 2026
2	宜賓銀行.com	the Bank	PRC	July 13, 2026
3	ybbank.cn	the Bank	PRC	July 13, 2026
4	宜賓銀行.中國	the Bank	PRC	July 13, 2026
5	ybccb.com	the Bank	PRC	June 24, 2026
6	dccbj.cn	the Bank	PRC	March 13, 2025

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

A. Directors and Supervisors

(a) Disclosure of Interest

Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), the interest and/or short position of the Directors, Supervisors or the chief executive of our Bank in the Shares, underlying shares and debentures of our Bank or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Bank and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) are as follows:

Interest in our Bank

				Approximate percentage of Shareholding following the completion of the Global Offering	
Name of Director, Supervisor or President	**Position**	**Nature of interests**	**Numbers and class of Shares held or interested**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is fully exercised**
Mr. YANG Xingwang	Executive Director and President	Beneficial owner	66,739 Domestic Unlisted Shares	0.001455%	0.001423%

Save as disclosed above, immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, none of our Directors, Supervisors and chief executive of our Bank has any interest and/or short position in the Shares, underlying shares and debentures of our Bank or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Bank and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

(b) Particulars of Service Contracts

Each of the Directors and Supervisors will enter into a contract with our Bank which provides for, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with our Bank.

Save as disclosed above, none of the Directors or Supervisors of our Bank has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

(c) Directors' and Supervisors' Remuneration

For the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by our Bank to the Directors were approximately RMB3.25 million, RMB3.62 million, RMB4.32 million and RMB2.05 million, respectively. For the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by our Bank to the Supervisors were approximately RMB3.20 million, RMB3.41 million, RMB3.80 million and RMB1.79 million, respectively. Save as disclosed under Note 11 to the Accountant's Report set out in Appendix I to this Prospectus, no Director or Supervisor received other remuneration or benefits in kind from our Bank in respect of the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

Under the current arrangements, the Directors and Supervisors of our Bank will be entitled to receive compensation (including remuneration and benefits in kind) from our Bank for the year ending December 31, 2024, which is expected to amount to approximately RMB7.94 million in total.

B. Substantial Shareholders

(a) Interest in the Shares of our Bank

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in the Shares or underlying Shares of our Bank which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Bank, see "Substantial Shareholders" in this Prospectus.

(b) Interest in our Bank's Subsidiaries

To the best knowledge of the Company, the following persons (other than our Directors, Supervisors and President) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any subsidiaries of the Bank:

Name of subsidiary of the Bank	Name of shareholder	Percentage of the interest
Neijiang Xinglong Rural Bank	Sichuan Hydropower Investment Operation Group Co., Ltd.	10.00%
Neijiang Xinglong Rural Bank	Sichuan Hengxin Industry Co., Ltd.	10.00%
Neijiang Xinglong Rural Bank	Neijiang Construction Engineering Group Co., Ltd.	10.00%

C. Personal Guarantees

The Directors and Supervisors of our Bank have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

D. Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed "Underwriting" in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Bank or any of its subsidiaries within the two years preceding the date of this Prospectus.

E. Disclaimers

Save as disclosed in the sections headed "History, Development and Corporate Structure" and this Appendix in this Prospectus:

(a) none of the Directors, Supervisors or chief executive of our Bank has any interests and short positions in our Shares, underlying Shares and debentures of our Bank or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once the H Shares of our Bank are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of the Directors or Supervisors nor any of the parties listed in the paragraph headed "4. Other Information – G. Qualification of Experts" of this Appendix is interested in our Bank's promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to our Bank, or are proposed to be acquired or disposed of by or leased to our Bank;

(c) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Bank and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange; none of the Directors or Supervisors of our Bank nor any of the parties listed in paragraph headed "4. Other Information – G. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(d) none of the parties listed in the paragraph headed "4. Other Information – G. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of the Shares of our Bank or any shares in any of its subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Bank; and

(e) none of the Directors or Supervisors or their respective close associates or any Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

4. OTHER INFORMATION

A. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Group.

B. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "Business" and "Risk Factors" in this Prospectus, our Group is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

C. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Bank to the Listing Committee for listing of, and permission to deal in, the H Shares of the Bank, including any additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Bank has entered into an engagement agreement with each of the Joint Sponsors respectively, pursuant to which our Bank agreed to pay a total amount of RMB1.98 million to the Joint Sponsors to act as the sponsors to our Bank in the Global Offering.

D. Compliance Advisor

Our Bank have appointed Maxa Capital Limited as its compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

Our Bank has not incurred any material preliminary expenses.

F. Promoter(s)

The promoters of the Bank comprise 44 non-individual shareholders and 386 individual shareholders. For details of the promoters of the Bank, please see "History, Development and Corporate Structure" in this Prospectus.

Save as disclosed in the section headed "History, Development and Corporate Structure" in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connections with the Global Offering or related transactions in this Prospectus.

G. Qualification of Experts

The qualifications of the experts are as follows:

Name	Qualification
CCB International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
ICBC International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Global Law Office	PRC legal advisors
Yibin Chi An Fire Safety Technology Co., Ltd.	Fire Safety Consultant

H. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of the Bank, including in circumstances where such transaction is effected on the Stock Exchange. For further information in relation to taxation, see "Appendix IV – Taxation and Foreign Exchange" in this Prospectus.

I. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2024 (being the date on which our latest audited financial statements were made up) to the date of this Prospectus.

J. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

K. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

L. Miscellaneous

Save as disclosed in the sections headed "History, Development and Corporate Structure", "Share Capital" and this Appendix in this Prospectus,

(a) within the two years preceding the date of this Prospectus, our Bank has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no Share or loan capital of our Bank, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Bank has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) our Bank has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of any member of our Group;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) our Bank currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the Foreign Investment Law of the PRC;

(h) there has been no interruption in our business which may have or have had a significant effect on our financial position in the last 12 months;

(i) none of the equity and debt securities of our Bank, if any, is listed or dealt within any other stock exchange nor is any listing or permission to deal in other stock exchanges being or proposed to be sought;

(j) there are no contracts for hire and hire purchase of any plant to or by us for a period of over one year which are substantial in relation to our business; and

(k) there are no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from overseas.

M. Consents

Each of the experts as referred to in the paragraph headed "4. Other Information – G. Qualification of Experts" in this Appendix has given, and has not withdrawn their written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of section 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of the Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the material contracts referred to in the section headed "2. Further Information About Our Business – A. Summary of Material Contracts" in Appendix VII to this Prospectus; and

(b) the written consents referred to in the section headed "4. Other Information – M. Consents" in Appendix VII to this Prospectus.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be set out on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of our Bank (**www.ybccb.com**) during a period of 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the accountant's report in relation to historical financial information for the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the text of which is set out in Appendix I to this Prospectus;

(c) the unaudited supplementary financial information of our Group, the text of which is set out in Appendix II to this Prospectus;

(d) the report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this Prospectus;

(e) the audited consolidated financial statements of our Group for the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;

(f) the PRC legal opinions issued by Global Law Office, our PRC legal advisors, in respect of our general matters and property interests;

(g) the report issued by Yibin Chi An Fire Safety Technology Co., Ltd., the Fire Safety Consultant for its findings on the fire safety inspection;

(h) the material contracts referred to in the paragraph headed "2. Further Information About Our Business – A. Summary of Material Contracts" in Appendix VII to this Prospectus;

(i) the written consents referred to in the paragraph headed "4. Other Information- M. Consents" in Appendix VII to this Prospectus;

(j) the service contracts referred to in the paragraph headed "3. Further Information About Our Directors, Supervisors and Substantial Shareholders – A. Directors and Supervisors – (b) Particulars of Service Contracts" in Appendix VII to this Prospectus;

(k) the PRC Company Law together with unofficial English translations thereof.

宜宾市商业银行

Yibin City Commercial Bank