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BANK OF GANSU CO., LTD.*
甘肅銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2139)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR OF 2024

The board of directors (the “**Board**”) of Bank of Gansu Co., Ltd. (the “**Bank**”) is pleased to announce the audited annual results of the Bank and its subsidiaries for the year ended December 31, 2024. This announcement, containing the full text of the 2024 annual report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcement of annual results. The printed version of the 2024 annual report of the Bank will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Bank at www.gsbankchina.com in April 2025.

By order of the Board
Bank of Gansu Co., Ltd.*
Liu Qing
Chairman

Lanzhou, Gansu
March 28, 2025

As at the date of this announcement, the Board comprises Mr. LIU Qing and Mr. WANG Xizhen as executive Directors; Mr. ZHANG Junping, Ms. ZHANG Tingting, Mr. YE Rong, Mr. ZHANG Youda, Mr. GUO Jirong and Ms. YANG Chunmei as non-executive Directors; and Mr. DONG Ximiao, Mr. WANG Tingting, Mr. LIU Guanghua, Mr. WANG Lei and Mr. HAU Pak Sun as independent non-executive Directors.

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

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Chairman's Statement



Liu Qing

Chairman of the Board of Directors

Chairman's Statement

2024 marks the 75th anniversary of the founding of New China. Under the strong leadership of the provincial Party Committee and the provincial government and the care and support of the supervisory authorities, we adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively implemented the spirit of the 20th National Congress of CPC, the 2nd and 3rd Plenary Sessions of the 20th CPC Central Committee and the important speeches and instructions of General Secretary Xi Jinping during his inspection of Gansu, conscientiously carried out the decisions and arrangements of the provincial Party Committee and the provincial government, and adhered to the '21-word' general work requirements, coordinated development and risk mitigation, united and led the cadres and employees of the Bank to concentrate and overcome difficulties, and promote the steady progress and continuous improvement of all work.

During the year, we set our targets, remained committed, and moved forward courageously. Through the process of learning about Party discipline and education, as well as addressing inspection rectifications, we underwent repeated ideological refinement. We accomplished significant milestones in reform and development, overcame numerous challenges and obstacles, and created a series of tangible achievements through dedicated effort and progress.

During the year, we were "strict and practical", comprehensively strengthened the Party's leadership, further consolidating the guarantee of high-quality development. With the political construction of the Party as the overall guide, we tightened and strengthened the overall political responsibility for strict governance of the Party, solidly carried out the study and education of Party disciplines, and promoted our efforts to improve Party conduct, enforce Party discipline and fight corruption, completed inspection and rectification, continued to promote the rectification of formalism to reduce the burden on grassroots units, actively created a distinctive Party building brand, and held a tour of reports on "Role Models Around Us", creating a strong atmosphere of learning from others and striving to surpass others across the Bank.

During the year, we worked together to steadily improve our business and further consolidate the foundation for high-quality development. In the face of a complex external environment and fierce market competition, we made every effort in marketing, promoting investment, reducing non-performing loans, and guaranteeing revenue. The total assets and liabilities both increased by more than 6%, ranking among the city commercial banks with a total asset of RMB400 billion. Various loans increased by 4.27%, general deposits increased by 9.46%, and our development foundation was continuously consolidated.

During the year, we recognized and shouldered our responsibilities, and made every effort to serve the development of the real economy, further improving the quality and efficiency of high-quality development. We earnestly followed the political and people-oriented nature of financial work, seized opportunities pertaining to a raft of policies, and cumulatively issued over RMB100 billion in loans. We made breakthroughs in five major areas, with the growth rates of green loans and technology loans both exceeding 20%. We completed the "two increases" regulatory targets for inclusive loans to micro and small enterprises, launched "Gan Yangle" pension financial brand, built 19 demonstration sites for elderly care finance, and continuously improved digital financial services capacity.



Chairman's Statement

During the year, we sought and adapted to changes, promoted comprehensive and in-depth reform and innovation, and further enhanced the momentum for high-quality development. The retail business system has been gradually improved, and the results of retail transformation have appeared, with more than 1.9 million individual customers with assets, 158,000 customers with personal loans, 660,000 credit card customers, and more than 200,000 existing merchants. We comprehensively promoted the construction of the corporate business system, and continuously improved the stratified and classified management of customers, with 108,500 corporate customers. We implemented guidelines for function allocation, internal organization setup, and staffing in 19 branches. We further improved the centralized credit granting mechanism of the credit business in Lanzhou, continuously integrated science and technology, and continued to deepen various reforms.

2025 is the final year of the 14th Five-Year Plan and marks the beginning of the development of the 15th Five-Year Plan. In 2025, we will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th National Congress of CPC and the 2nd and 3rd Plenary Sessions of the 20th CPC Central Committee and the important speeches and instructions of General Secretary Xi Jinping during his inspection of Gansu, further implement the spirit of the Central Economic Work Conference and the Central Financial Work Conference, continue to implement the spirit of the 7th Plenary Session of the 14th CPC Provincial Party Committee and the Provincial Party Committee's Economic Work Conference, adhere to the overall keynote of seeking progress amidst stability, completely and accurately carry out the new development concept, and stick to the general work requirements of "strengthening Party building, reinforcing weak links, cementing foundation, adjusting structure, preventing risks, improving efficiency and promoting development". We will focus on the "one goal" of giving priority to benefits, adhere to the "two main lines" of risk mitigation and development, and enhance the "two capabilities" of customer management and team building. We will fight the "three battles" of protecting interest rate spreads, proactively managing risks, and collecting and resolving bad debts. We will strengthen the "four guarantees" of Party building, corporate governance, internal control management, and transformation and development. We will strive to do a good job in five major areas, and unswervingly follow the road of financial development with Chinese characteristics.

LIU QING

Chairman of the Board of Directors

Definitions

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

“Articles of Association” or “Articles”	the articles of association of the Bank
“Baiyin City Commercial Bank”	the former Baiyin City Commercial Bank Co., Ltd. (白銀市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“Bank” or “our Bank”	Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司), a joint stock company incorporated in Gansu Province, the PRC on November 18, 2011 with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Banking Ordinance”	Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board of Directors” or “Board”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), replaced by the NAFR in March 2023
“CBRC”	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi or credited as paid

Definitions

“Gansu Electric Power Investment”	Gansu Province Electric Power Investment Group Co., Ltd. (甘肅省電力投資集團有限公司), a company incorporated in the PRC on July 16, 1990, and a wholly-owned subsidiary of Gansu State-owned Assets Investment. As of December 31, 2024 and up to the Latest Practicable Date, Gansu Electric Power Investment held approximately 4.21% equity interests in the Bank
“Gansu Highway Aviation Tourism”	Gansu Province Highway Aviation Tourism Investment Group Co., Ltd. (甘肅省公路航空旅遊投資集團有限公司), a company incorporated in the PRC on December 24, 1999, which is wholly-owned by Gansu SASAC. As of December 31, 2024 and up to the Latest Practicable Date, Gansu Highway Aviation Tourism held approximately 18.3% equity interests in the Bank. It is a substantial Shareholder and connected person of the Bank
“Gansu SASAC”	the State-owned Assets Supervision and Administration Commission of the Gansu Provincial Government (甘肅省人民政府國有資產監督管理委員會)
“Gansu State-owned Assets Investment”	Gansu Province State-owned Assets Investment Group Co., Ltd. (甘肅省國有資產投資集團有限公司), a company incorporated in the PRC on November 23, 2007, and 84% of its equity interest owned by Gansu SASAC and 16% of its equity interest owned by Jiuquan Iron & Steel. As of December 31, 2024 and up to the Latest Practicable Date, it directly held approximately 12.67% equity interests in the Bank, and indirectly held approximately 10.74% equity interests in the Bank through its subsidiaries, including Gansu Electric Power Investment and Jinchuan Group. It is a substantial Shareholder and connected person of the Bank
“GDP”	gross domestic product
“GRC system”	the internal control, compliance and operational risk management system
“green finance”	economic activities supporting environmental improvements, climate change, conservation and high efficiency utilization of resources, including financial services for project investment, financing, operation and risk management in environmental protection, energy conservation, clean energy, green transportation and green architecture
“H Share(s)”	ordinary shares issued by the Bank in Hong Kong, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed and traded on the Hong Kong Stock Exchange
“HK\$”, “HKD” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKMA”	the Hong Kong Monetary Authority
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司證券上市規則), as amended, supplemented or otherwise modified from time to time

Definitions

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards, International Accounting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“independent third party”	a person or entity not considered a connected person or an associate of a connected person of the Bank under the Hong Kong Listing Rules
“Jinchuan Group”	Jinchuan Group Co., Ltd. (金川集團股份有限公司), a company incorporated in the PRC on September 28, 2001, of which Gansu State-owned Assets Investment is its largest shareholder, holding 47.97% of its equity interests. As of December 31, 2024 and up to the Latest Practicable Date, Jinchuan Group held approximately 6.53% equity interests in the Bank
“Jingning Chengji Rural Bank”	Pingliang Jingning Chengji Rural Bank Co., Ltd., a joint stock company with limited liability incorporated in the PRC on September 18, 2008 and a subsidiary of the Bank
“Jiuquan Iron & Steel”	Jiuquan Iron & Steel (Group) Co., Ltd. (酒泉鋼鐵(集團)有限責任公司), a company incorporated in the PRC on May 26, 1998, and 68.42% of its equity interest owned by Gansu SASAC and 31.58% of its equity interest owned by Gansu State-owned Assets Investment. As of December 31, 2024 and up to the Latest Practicable Date, Jiuquan Iron & Steel held approximately 6.53% equity interests in the Bank
“Latest Practicable Date”	March 28, 2025, the latest practicable date for ascertaining certain information in this annual report before its publication
“Listing”	the listing of H Shares of the Bank on the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“NAFR”	the PRC National Administration of Financial Regulation, formerly known as China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“NAFR Gansu Office”	Gansu Office of the PRC National Administration of Financial Regulation, the former China Banking and Insurance Regulatory Commission Gansu Office
“non-standard credit assets”	credit assets that are not traded on the interbank markets or stock exchanges, which for the purpose of this annual report represent our investments in trust plans, asset management plans and wealth management products issued by other financial institutions
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“NPLs” or “non-performing loans”	loans classified as substandard, doubtful and loss according to the five-category loan classification system of the Bank

Definitions

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pingliang City Commercial Bank”	the former Pingliang City Commercial Bank Co., Ltd. (平涼市商業銀行股份有限公司). In May 2011, 25 legal entities, all shareholders of Baiyin City Commercial Bank and all shareholders of Pingliang City Commercial Bank jointly promoted and incorporated the Bank
“PRC” or “China”	the People’s Republic of China, but for the purpose of this annual report only, referring to Mainland China, i.e., excluding Hong Kong, Macau and Taiwan, unless otherwise specified in the context
“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 meeting 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 amended and adopted by the Standing Committee of the 10th National People’s Congress on October 27, 2005 and became effective on January 1, 2006, 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 Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC Securities Law”	the Securities Laws of the PRC (《中華人民共和國證券法》), as promulgated by the 6th meeting of the Standing Committee of the 9th National People’s Congress on December 29, 1998 and previously modified upon approval by the Standing Committee of the 13th National People’s Congress on December 28, 2019, as amended, supplemented or otherwise modified from time to time
“provincial urban commercial bank(s)”	local urban commercial bank(s), whose establishment was promoted by the provincial government
“related party(ies)”	has the meaning ascribed to it under the Administrative Measures for the 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 IFRSs
“related party transaction(s)”	has the meaning ascribed to it under the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions promulgated by the CBIRC, the PRC GAAP and/or IFRSs
“Reporting Period”	the year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong

Definitions

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“subsidiary(ies)”	has the meaning ascribed to it under Rule 1.01 of the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“treasury shares”	has the meaning ascribed to it under the Hong Kong Listing Rules
“three rurals”	rural areas, agriculture and farmers
“United States” or “U.S.”	the United States of America
“US\$”, “USD” or “U.S. dollar(s)”	U.S. dollars, the lawful currency of the United States of America
“we”, “us”, “our”, “Group” or “our Group”	the Bank and its subsidiary on a consolidated basis

In this annual report:

- *certain amounts and percentage figures included in this annual report 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 “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)” and “substantial shareholder(s)” have the meanings given to such terms in the Hong Kong Listing Rules.*
- *for the ease of reference, in this annual report, unless otherwise indicated, the terms “gross loans and advances to customers”, “loans” and “grant of loans” are used synonymously.*
- *if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

Company Profile

I. BASIC INFORMATION OF THE BANK

Legal Name of the Company in Chinese	:	甘肅銀行股份有限公司
Legal Name of the Company in English	:	Bank of Gansu Co., Ltd.
Legal Representative	:	Liu Qing
Authorized Representatives	:	Liu Qing, Wong Wai Chiu
Secretary to the Board of Directors	:	Hao Jumei
Company Secretary	:	Wong Wai Chiu
Registered Address	:	525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Principal Office Address	:	Bank of Gansu Tower, No. 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Customer Service Hotline	:	+86 400 86 96666
Telephone	:	+86 931 877 0491
Facsimile	:	+86 931 877 1877
Website of the Bank	:	www.gsbankchina.com
Principal Place of Business in Hong Kong	:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
H Share Information Disclosure Website	:	www.hkexnews.hk
Stock Listing Place, Stock Short Name and Stock Code	:	The Stock Exchange of Hong Kong Limited, BANK OF GANSU, 2139
Domestic Shares trustee agency	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
PRC Legal Adviser	:	Grandall Law Firm (Shanghai)
Hong Kong Legal Adviser	:	Latham & Watkins LLP
Domestic Auditor	:	Shinewing Certified Public Accountants LLP
International Auditor	:	SHINEWING (HK) CPA Limited
Place of Inspection of the Annual Report	:	Office of the Board of the Bank

Company Profile

II. HISTORY OF THE BANK

In light of the lack of provincial city commercial banks in Gansu Province and in order to promote the economic development of Gansu Province, the People's Government of Gansu Province decided to establish a provincial city commercial bank by building on the foundations of Baiyin City Commercial Bank and Pingliang City Commercial Bank. Therefore, on May 30, 2011, 25 legal entities (including large and medium-sized SOEs in Gansu Province and private enterprises in and outside Gansu Province) and representatives of all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank jointly entered into a promoters agreement in respect of Dunhuang Bank Co., Ltd. (敦煌銀行股份有限公司). Pursuant to the agreement, the 25 legal entities contributed cash and all shareholders of both Baiyin City Commercial Bank and Pingliang City Commercial Bank contributed the appraised net assets of Baiyin City Commercial Bank and Pingliang City Commercial Bank, respectively, to jointly incorporate Dunhuang Bank Co., Ltd.. On August 24, 2011, the General Office of the People's Government of Gansu Province approved the change to the name of the Bank to be incorporated from the former "Dunhuang Bank Co., Ltd." to "Bank of Gansu Co., Ltd.". On September 27, 2011, the former CBRC approved the establishment of the Bank. On November 18, 2011, the former CBRC Gansu Office approved the commencement of business of the Bank and the conversion of Baiyin City Commercial Bank, Pingliang City Commercial Bank and their branches and sub-branches into Baiyin Branch, Pingliang Branch and its sub-branches. On the same day, the Bank was granted the enterprise business license by the Administration for Industry and Commerce of Gansu Province and was formally incorporated under the PRC Company Law. The Bank is a provincial city commercial bank in Gansu Province.

The Bank's H Shares have been listed on the Main Board of the Hong Kong Stock Exchange since January 18, 2018.

As the Bank was established in the PRC, the Bank's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The Bank carries on banking business in the PRC under the supervision and management of the NAFR and the PBOC. The Bank is not an authorized institution within the meaning of the Banking Ordinance, and is not subject to the supervision of the HKMA, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

Company Profile

III. AWARDS OF THE BANK IN 2024

Awards and Honors	Awarding Party/Media
Ranked 331st among the 2024 Top 1000 World Banks (66th among Chinese banks)	The Banker Magazine
Ranked 58th among the 2024 Top 100 Banks in China's Banking Industry (2024年中國銀行業100強)	China Banking Association
Awarded the "Best Digital Financial SME Bank" at the 2024 Summit for the Development of Small and Medium-sized Banks and the 6th "TieMa – SME Bank" Awards	Modern Bankers Magazine
Received the "Innovation Award for Small and Medium-sized Banks" at the 7th Bank Digital Summit	Qing Group
Honored with the "Best ESG Performance Award" at the 2023 China Financing Awards	China Financing Magazine
Awarded "Most Socially Responsible Listed Company" in the 9th Zhitong Finance Listed Company Selection.	Zhitong Finance
Awarded "Innovation Award for Fintech Application" at the 2024 Fintech Annual Conference and the 15th Fintech Innovation Award Ceremony	Financial Computerizing Magazine
Honored with the "Mobile Banking Channel Integration Innovation Award" at the 2024 Digital Finance Gold List Awards	China Financial Certification Authority (CFCA), Digital Finance Joint Promotion Year (數字金融聯合宣傳年) and www.cebnet.com.cn

Financial Highlights

FIVE-YEAR FINANCIAL DATA

(Expressed in millions of RMB, unless otherwise stated)	2024	2023	2022	2021	2020
Results of operations					
Interest income	12,978.1	13,900.6	13,788.6	13,676.2	14,752.9
Interest expense	(8,341.8)	(8,466.1)	(8,720.7)	(8,752.0)	(9,002.5)
Net interest income	4,636.3	5,434.5	5,067.9	4,924.2	5,750.4
Fee and commission income	434.4	424.0	464.0	392.4	379.3
Fee and commission expenses	(34.3)	(44.1)	(64.0)	(41.6)	(50.4)
Net fee and commission income	400.1	379.9	400.0	350.8	328.9
Net trading gains	828.9	629.0	762.1	953.1	716.3
Net gains/(losses) arising from investment securities	41.2	116.6	51.9	192.1	(1.4)
Net exchange gains/(losses)	38.4	47.5	209.6	(148.5)	(279.7)
Other operating income/(expenses), net	9.0	57.6	35.3	5.9	(21.2)
Operating income	5,953.9	6,665.1	6,526.8	6,277.6	6,493.3
Operating expenses	(2,376.6)	(2,388.8)	(2,337.9)	(2,289.0)	(2,319.5)
Impairment losses on assets, net of reversals	(3,101.6)	(3,707.0)	(3,618.4)	(3,438.3)	(3,754.5)
Operating profit	475.7	569.3	570.5	550.3	419.3
Share of result of an associate	0.0	0.2	(0.1)	0.1	1.3
Profit before tax	475.7	569.5	570.4	550.4	420.6
Income tax credit/(expense)	109.0	77.1	33.9	22.9	141.8
Profit for the year	584.7	646.6	604.3	573.3	562.4
Profit for the year attributable to:					
– Owners of the Bank	582.3	644.5	601.4	570.7	558.2
– Non-controlling interests	2.4	2.1	2.9	2.6	4.2

Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	2024	2023	2022	2021	2020
Major indicators of assets/liabilities					
Total assets	414,707.6	388,588.7	377,202.5	358,504.6	342,363.8
Of which: total loans and advances to customers	231,414.3	222,871.6	214,272.4	201,353.8	181,825.7
Total liabilities	380,869.7	355,408.6	344,603.2	326,448.2	310,899.0
Of which: deposits from customers	321,379.3	295,556.2	279,039.2	263,233.4	249,677.7
Total equity	33,837.9	33,180.1	32,599.3	32,056.4	31,464.8
Per Share (RMB)					
Net assets per Share	2.25	2.20	2.16	2.13	2.09
Basic earnings per Share	0.04	0.04	0.04	0.04	0.06
Diluted earnings per Share	0.04	0.04	0.04	0.04	0.06
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.15	0.17	0.16	0.16	0.17
Return on equity ⁽²⁾	1.74	1.97	1.87	1.81	2.00
Net interest spread ⁽³⁾	1.02	1.26	1.21	1.48	1.72
Net interest margin ⁽⁴⁾	1.18	1.48	1.45	1.65	1.97
Net fee and commission income to operating income ratio ⁽⁵⁾	6.72	5.70	6.13	5.59	5.07
Cost-to-income ratio ⁽⁶⁾	38.20	34.29	34.26	34.52	34.30
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	11.16	11.38	11.76	11.95	12.85
Tier-one capital adequacy ratio ⁽⁸⁾	11.16	11.38	11.76	11.95	12.85
Capital adequacy ratio ⁽⁹⁾	11.16	11.88	12.28	12.44	13.39
Shareholders' equity to total assets ratio	8.16	8.54	8.64	8.94	9.19
Assets quality indicators (%)					
Non-performing loan	1.93	2.00	2.00	2.04	2.28
Provision coverage ratio ⁽¹⁰⁾	134.05	133.39	134.73	132.04	131.23
Provision to total loan ratio ⁽¹¹⁾⁽¹²⁾	2.59	2.66	2.64	2.70	2.99
Other indicator (%)					
Loan to deposit ratio ⁽¹³⁾	70.13	74.64	75.28	77.58	72.82

Financial Highlights

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and the end of that year.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank's provision for total loan ratio shall follow the minimum standard of 2.5%.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended PRC Commercial Banking Law, which became effective on October 1, 2015.

Management Discussion and Analysis

ENVIRONMENT AND PROSPECT

In 2024, we faced increasing external pressure and growing internal difficulties in a complex and severe situation. Under the strong leadership of the Central Committee of the CPC with Comrade Xi Jinping as the core, all of us throughout the country worked hard as one. By thoroughly implementing the decision and deployment by the Party Central Committee and the State Council as well as staying true to the general principle of pursuing progress while ensuring stability, we fully and faithfully applied the new development philosophy on all fronts, moved faster to create a new pattern of development, and promoted high-quality development in a solid manner. The operation of the national economy remained generally stable, with steady progress, and significant progress has been made in high-quality development. In particular, a package of incremental policies was timely deployed and introduced, effectively boosting social confidence and a significant economic rebound, which ensured the smooth completion of the main objectives and tasks for economic and social development.

According to the National Bureau of Statistics, China's GDP for the whole year amounted to RMB134.9084 trillion, up 5.0% over the previous year. On a quarterly basis, GDP grew by 5.3% year-on-year in the first quarter, by 4.7% year-on-year in the second quarter, by 4.6% year-on-year in the third quarter and by 5.4% year-on-year in the fourth quarter. By industries, the value added of the primary industry was RMB9.1414 trillion, an increase of 3.5% compared to the previous year; the value added of the secondary industry was RMB49.2087 trillion, growing by 5.3%; and the value added of the tertiary industry was RMB76.5583 trillion, with a growth of 5.0%. Specifically, industrial production showed a strong momentum, with rapid growth in the equipment manufacturing and high-tech manufacturing sectors. In the whole year, the value added of large-scale industrial enterprises nationwide grew by 5.8% compared to the previous year, of which the equipment manufacturing industry saw an increase of 7.7%, and the high-tech manufacturing industry grew by 8.9%. These growth rates were 1.9 and 3.1 percentage points higher than the overall growth rate of large-scale industry, respectively. The service sector continued to increase, with modern services progressing positively. In the whole year, the value added of the service industry increased by 5.0% compared to the previous year, including an increase of over 10% in information transmission, software, and information technology services, as well as leasing and business services. Market sales maintained growth, with online retail remaining active. In the whole year, the total retail sales of consumer goods amounted to RMB48.7895 trillion, representing an increase of 3.5% compared to the previous year. The online retail sales of physical goods amounted to RMB13.0816 trillion, a growth of 6.5%, accounting for 26.8% of the total retail sales of consumer goods. Fixed asset investment expanded, with investments in high-tech industries growing rapidly. In the whole year, national fixed asset investment amounted to RMB51.4374 trillion, an increase of 3.2% compared to the previous year. Investments in high-tech industries rose by 8.0%, with high-tech manufacturing and high-tech services growing by 7.0% and 10.2%, respectively. Merchandise imports and exports experienced rapid growth, with a continuous optimization of trade structure. In the whole year, total merchandise imports and exports amounted to RMB43.8468 trillion, an increase of 5.0% over the previous year. Import and export to countries participating in the Belt and Road Initiative grew by 6.4%, accounting for 50.3% of the total imports and exports. Exports of electromechanical products increased by 8.7%, making up 59.4% of the total exports. Resident incomes continued to rise, with rural income growth outpacing that of urban residents. The per capita disposable income of residents nationwide was RMB41,314, with a real growth of 5.1% after accounting for price factors. In particular, the per capita disposable income of urban residents recorded a real growth of 4.4%, while the real per capita disposable income of rural residents showed a real growth of 6.3%.

Management Discussion and Analysis

In 2024, the monetary policy maintained a supportive stance, effectively supporting the recovery and improvement of the economy. Throughout the year, there were two cuts in Required Reserve Ratio totaling 1 percentage point, providing long-term liquidity of over RMB2 trillion and guiding balanced credit allocation to enhance the quality and efficiency of services to the real economy. The mechanism for the formation of the loan prime rate (LPR) was improved, with two reductions in policy interest rates totaling 0.3 percentage point, guiding a stable decline in the comprehensive financing costs for society. Efforts were made to establish RMB500 billion in re-loans for technological innovation and technical transformation, and expand the scope of support for carbon emission reduction tools, continuing to promote the effective implementation of the “Five Major Areas” in finance. RMB300 billion for affordable housing re-loans was established, and the lower limit on mortgage interest rates were removed, with coordinated efforts from both supply and demand to support the stable and healthy development of the real estate market. The macro-prudential management of real estate finance was improved, and significant phased progress was made in addressing the debt risks of local government financing platforms through finance, with steady advancement in the resolution of risks in key institutions and regions. The monitoring, assessment, and early warning system for financial risks was continuously refined. At the end of 2024, the scale of social financing stock and broad money (M2) increased by 8.0% and 7.3% year-on-year, respectively, with the balance of RMB loans reaching RMB255.7 trillion. Loans to specialized, refined, distinctive and innovative enterprises, and inclusive small and micro loans grew by 13.0% and 14.6% year-on-year, respectively, continuing to surpass the overall loan growth.

Gansu Province, where the Bank is located, adhered to Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era as the guiding principle, thoroughly implemented the spirits of the 20th National Congress of the CPC and the 2nd and 3rd Plenary Sessions the 20th CPC Central Committee, deeply carried out the important speeches and instructions of General Secretary Xi Jinping during his inspection of Gansu, insisted on the general principle of seeking progress while maintaining stability, and implemented new development principles completely, accurately and comprehensively. The province thoroughly implemented the “Four Strengthening” actions, penetrated into and refined the “Five Aspects” of economic measures, and focused on successfully tackling the “Six Battles”. As a result, the economic performance in Gansu demonstrated a satisfactory trend characterized by progress, quality, and a positive outlook, exceeding expectations and outperforming the national average in major economic indicators. The regional GDP reached a new level of RMB1.3 trillion, with a growth rate 0.8 percentage point higher than the national average and ranking among the top nationwide for 10 consecutive quarters; the added value of the primary industry grew 3.1 percentage points faster than the national average, consistently ranking among the top nationwide for several years; the growth rate of the added value of the secondary industry ranked third nationwide, with the growth rate of the value added of large-scale industrial enterprises exceeding the national average by 5 percentage points; the income growth rates for urban and rural residents also ranked third in the country.

Looking forward to 2025, changes in internal and external policies will be the biggest variables influencing the trajectory of China’s economy. Internally, the implementation of a comprehensive package of policies for stable economic development and the potential for further incremental policy support will be important forces driving the recovery of domestic demand, risk resolution, and confidence restoration. Externally, the U.S. adjustments to tariff policy towards China may impact China’s exports. Against this backdrop, the banking industry will continue to play a crucial role in supporting the real economy, coordinating support for the development of new productive forces and effective implementation of the “Five Major Areas” in finance. While maintaining stable and robust growth, we will place more emphasis on risk management, solidifying profit growth and capital foundations to ensure positive development.



Management Discussion and Analysis

DEVELOPMENT STRATEGY

The Bank is committed to building itself into a “listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region”, with value creation as its core mission and high quality development as its core objective, to achieve balanced development in terms of scale, profitability, risk and capital.

To achieve the aforesaid goals, the Bank plans to: (i) build government financial business into a cornerstone business for high-quality development, realize transformation and development of traditional businesses such as retail and corporate, and turn emerging businesses such as special asset operation into profit growth points; (ii) continuously improve its risk and internal control and compliance capabilities, assets and liabilities management capabilities, omni-channel management capability, digitalization and other core capabilities; (iii) strengthen risk management and control and improve asset quality; (iv) promote the transformation of light capital and optimize the revenue structure; (v) give play to the advantages of provincial urban commercial banks and take the path of characteristics; (vi) strengthen customer management and enhance profit contribution; (vii) enrich the product system effectively and enhance market competitiveness; and (viii) optimize the structure of the talent team to empower high-quality development.

Management Discussion and Analysis

OVERALL BUSINESS REVIEW

The Bank recorded a total operating income of RMB5,953.9 million in 2024, representing a decrease of 10.7% as compared to RMB6,665.1 million in 2023. The Bank's net profit decreased by 9.6% from RMB646.6 million in 2023 to RMB584.7 million in 2024. The main reason for the decrease in the Bank's operating income: In 2024, the Bank adhered to serving the real economy and increased the investment of credit assets, and at the same time actively optimized the structure of assets and liabilities and reduced the costs of debts; however, due to the impact of the downward trend of market interest rates, the Bank's operating income decreased, and the net profit declined year on year.

As at December 31, 2024, the Bank's total assets amounted to RMB414,707.6 million, representing a year-on-year increase of 6.7%; total loans and advances to customers (including interest accrued) amounted to RMB231,414.3 million, representing a year-on-year increase of 3.8%; the non-performing loan ratio was 1.93%, representing a decrease of 0.07% as compared with the end of 2023, mainly because the Bank strengthened its efforts in disposal of non-performing assets, and optimized credit management policies, which further consolidated the foundation of risk management and kept the quality of assets relatively stable; total deposits from customers (including interest accrued) amounted to RMB321,379.3 million, representing a year-on-year increase of 8.7%.

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

	Year ended December 31,			Percentage change (%)
	2024	2023	Increase or decrease	
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Interest income	12,978.1	13,900.6	(922.5)	(6.6)
Interest expense	(8,341.8)	(8,466.1)	124.3	(1.5)
Net interest income	4,636.3	5,434.5	(798.2)	(14.7)
Fee and commission income	434.4	424.0	10.4	2.5
Fee and commission expenses	(34.3)	(44.1)	9.8	(22.2)
Net fee and commission income	400.1	379.9	20.2	5.3
Net trading gains	828.9	629.0	199.9	31.8
Net gains arising from investment securities	41.2	116.6	(75.4)	(64.7)
Net exchange gains/(losses)	38.4	47.5	(9.1)	(19.2)
Other operating income, net	9.0	57.6	(48.6)	(84.4)
Operating income	5,953.9	6,665.1	(711.2)	(10.7)
Operating expenses	(2,376.6)	(2,388.8)	12.2	(0.5)
Impairment losses on assets, net of reversals	(3,101.6)	(3,707.0)	605.4	(16.3)
Operating profit	475.7	569.3	(93.6)	(16.4)
Share of result of an associate	0.0	0.2	(0.2)	(100.0)
Profit before tax	475.7	569.5	(93.8)	(16.5)
Income tax credit	109.0	77.1	31.9	41.4
Profit for the year	584.7	646.6	(61.9)	(9.6)
Profit for the year attributable to:				
— Owners of the Bank	582.3	644.5	(62.2)	(9.7)
— Non-controlling interests	2.4	2.1	0.3	14.3

Management Discussion and Analysis

Net interest income

The net interest income was the largest component of the Bank's operating income, accounting for 81.5% and 77.9% of the operating income in 2023 and 2024, respectively. Such decrease in the percentage for 2024 was mainly attributable to the impact of the downward trend of market interest rates. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

	Year ended December 31,			Percentage change (%)
	2024	2023	Increase or decrease	
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Interest income	12,978.1	13,900.6	(922.5)	(6.6)
Interest expense	(8,341.8)	(8,466.1)	124.3	(1.5)
Net interest income	4,636.3	5,434.5	(798.2)	(14.7)

The table below sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expenses and the average yield of related assets or average cost of related liabilities of the Bank for the periods indicated.

	Year ended December 31, 2024			Year ended December 31, 2023		
	Average Balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)	Average Balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Interest-earning assets						
Loans and advances to customers	225,175.2	9,271.2	4.12	218,672.7	10,606.2	4.85
Investment securities and other financial assets ⁽³⁾	132,930.1	3,124.4	2.35	121,106.9	2,834.7	2.34
Deposits with banks	1,875.5	23.8	1.27	1,883.8	15.6	0.83
Financial assets held under resale agreements and placements with other financial institutions	17,989.5	337.2	1.87	16,704.5	323.6	1.94
Deposits with the central bank ⁽⁴⁾	18,178.9	259.9	1.43	16,981.2	243.0	1.43
Total interest-earning assets	396,149.2	13,016.5	3.29	375,349.1	14,023.1	3.74

Management Discussion and Analysis

	Year ended December 31, 2024			Year ended December 31, 2023		
	Average Balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)	Average Balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Interest-bearing liabilities						
Deposits from customers	304,466.4	6,854.9	2.25	279,754.9	6,910.2	2.47
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	5,479.9	122.3	2.23	6,668.4	169.7	2.54
Debt securities issued ⁽³⁾	28,354.6	669.1	2.36	23,556.7	590.7	2.51
Deposits from banks and other financial institutions	21,625.7	554.6	2.56	23,781.7	648.5	2.73
Borrowings from the central bank	7,432.3	129.8	1.75	7,598.9	144.0	1.90
Lease liabilities	235.9	11.1	4.71	183.3	3.0	1.64
Total interest-bearing liabilities	367,594.8	8,341.8	2.27	341,543.9	8,466.1	2.48
Net interest income		4,674.7			5,557.0	
Net interest spread⁽⁶⁾			1.02			1.26
Net interest margin⁽⁷⁾			1.18			1.48

Notes:

- (1) The daily average balances of interest-earning assets and interest-bearing liabilities are derived from the unaudited management accounts of the Bank.
- (2) Calculated by dividing interest income/expense by average balance.
- (3) Primarily includes interest income from debt investments and others; the main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.
- (4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (5) Primarily includes interbank certificates of deposit and tier 2 capital bonds.
- (6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the daily average balance of interest-earning assets.

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate for the periods indicated. Changes in amount are measured by changes in average balances, and changes in interest rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

Management Discussion and Analysis

	Year ended December 31, 2024 vs 2023 increase/(decrease) due to		
	Amount ⁽¹⁾	Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Interest-earning assets			
Loans and advances to customers	267.9	(1,596.3)	(1,335.0)
Investment securities and other financial assets	277.8	12.1	289.7
Deposits with banks	(0.1)	8.3	8.2
Financial assets held under resale agreements and placements with other financial institutions	24.0	(11.7)	13.6
Deposits with the central bank	17.1	0.0	16.9
Change in interest income	684.3	(1,689.1)	(1,006.6)
Interest-bearing liabilities			
Deposits from customers	556.0	(615.5)	(55.3)
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	(26.5)	(20.7)	(47.4)
Debt securities issued	113.2	(35.3)	78.4
Deposits from banks and other financial institutions	(55.2)	(40.4)	(93.9)
Borrowings from the central bank	(2.9)	(11.4)	(14.2)
Lease liabilities	2.5	5.6	8.1
Change in interest expense	587.1	(717.2)	(124.3)
Change in net interest income	97.2	(971.9)	(882.3)

Notes:

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

Management Discussion and Analysis

(i) Interest income

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

	Year ended December 31, 2024		2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Loans and advances to customers	9,271.2	71.2	10,606.2	75.6
Investment securities and other financial assets ⁽¹⁾	3,124.4	24.0	2,834.7	20.2
Deposits with banks	23.8	0.2	15.6	0.1
Financial assets held under resale agreements and placements with other financial institutions	337.2	2.6	323.6	2.3
Deposits with the central bank	259.9	2.0	243.0	1.8
Total	13,016.5	100.0	14,023.1	100.0

Note:

- (1) The main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.

Interest income decreased by 7.2% from RMB14,023.1 million in 2023 to RMB13,016.5 million in 2024, primarily due to the impact of the downward trend of market interest rates, which resulted in a year-on-year decrease of interest income; the average daily balance of interest-earning assets increased by 5.5% from RMB375,349.1 million in 2023 to RMB396,149.2 million in 2024; and the average yield of interest-earning assets decreased from 3.74% in 2023 to 3.29% in 2024, which was primarily due to the impact of the downward trend of market interest rates.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 75.6% and 71.2% of total interest income in 2023 and 2024, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

	Year ended December 31,					
	Average Balance ⁽¹⁾	2024	Average yield (%)	Average Balance ⁽¹⁾	2023	Average yield (%)
		Interest income			Interest income	
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Corporate loans	149,518.4	6,578.7	4.40	142,802.6	7,613.4	5.33
Retail loans	51,851.0	2,355.9	4.54	50,463.1	2,553.6	5.06
Discounted bills	23,805.8	336.6	1.41	25,407.0	439.2	1.73
Total loans and advances to customers	225,175.2	9,271.2	4.12	218,672.7	10,606.2	4.85

Note:

- (1) Represents the average of daily balances based on our unaudited management accounts of the Bank.

Management Discussion and Analysis

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

Interest income from investment securities and other financial assets increased by 10.2% from RMB2,834.7 million in 2023 to RMB3,124.4 million in 2024, primarily because the average balance of investment securities and other financial assets increased by 9.8% from RMB121,106.9 million in 2023 to RMB132,930.1 million in 2024. Such increase in the average balance was mainly due to the addition of new standardized investment assets during the year. The average yield of investment securities and other financial assets recorded a slight increase from 2.34% in 2023.

(C) Interest income from deposits with banks

Interest income from deposits with banks increased by 52.6% from RMB15.6 million in 2023 to RMB23.8 million in 2024, primarily because the average yield of deposits with banks increased from 0.83% in 2023 to 1.27% in 2024. Such increase in the average yield was mainly due to the Bank's continuous optimization of its interbank asset allocation strategy. The average balance of deposits with banks decreased by 0.4% from RMB1,883.8 million in 2023 to RMB1,875.5 million in 2024, representing a slight decrease in the average balance.

(D) Interest income from financial assets held under resale agreements and placements with other financial institutions

Interest income from financial assets held under resale agreements and placements with other financial institutions increased by 4.2% from RMB323.6 million in 2023 to RMB337.2 million in 2024, which was primarily because the average balance of financial assets held under resale agreements and placements with other financial institutions increased by 7.7% from RMB16,704.5 million in 2023 to RMB17,989.5 million in 2024, which in turn was mainly due to the Bank's proactive adjustment of asset allocation structure. The average yield of financial assets held under resale agreements and placements with other financial institutions decreased from 1.94% in 2023 to 1.87% in 2024, which in turn was primarily due to the impact of the downward trend of market interest rates.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 7.0% from RMB243.0 million in 2023 to RMB259.9 million in 2024, primarily due to a 7.1% increase in the average balance of deposits with the central bank from RMB16,981.2 million in 2023 to RMB18,178.9 million in 2024, which in turn was mainly due to the increase in deposit reserves and central bank reserves.

Management Discussion and Analysis

(ii) Interest expense

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

	Year ended December 31, 2024		2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Deposits from customers	6,854.9	82.2	6,910.2	81.6
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	122.3	1.5	169.7	2.0
Debt securities issued	669.1	8.0	590.7	7.0
Deposits from banks and other financial institutions	554.6	6.6	648.5	7.7
Borrowings from the central bank	129.8	1.6	144.0	1.7
Lease liabilities	11.1	0.1	3.0	0.0
Total	8,341.8	100.0	8,466.1	100.0

Interest expense decreased by 1.5% from RMB8,466.1 million in 2023 to RMB8,341.8 million in 2024, primarily due to a decrease in the average cost of interest-bearing liabilities from 2.48% in 2023 to 2.27% in 2024. The decrease in the average cost ratio of interest-bearing liabilities was mainly due to the decrease in market interest rates and the Bank's proactive efforts to reduce the cost of debt. The average balance of interest-bearing liabilities increased by 7.6% from RMB341,543.9 million in 2023 to RMB367,594.8 million in 2024, primarily due to the steady growth in customer deposits as a result of the Bank's intensified efforts in marketing customer deposits.

(A) Interest expense on deposits from customers

Interest expense on deposits from customers decreased by 0.8% from RMB6,910.2 million in 2023 to RMB6,854.9 million in 2024, primarily due to the decrease in the average cost ratio of customer deposits from 2.47% in 2023 to 2.25% in 2024. The decreased average cost ratio was due to the lower market interest rates and the reduction of deposit cost initiated by the Bank; the average balance of customer deposits increased by 8.8% from RMB279,754.9 million in 2023 to RMB304,466.4 million in 2024. The increase in the average balance of customer deposits was mainly due to the fact that the Bank increased its marketing efforts to effectively increase the scale of customer deposits.

(B) Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions decreased by 27.9% from RMB169.7 million in 2023 to RMB122.3 million in 2024, primarily because the average balance of financial assets sold under repurchase agreements and placements from banks and other financial institutions decreased by 17.8% from RMB6,668.4 million in 2023 to RMB5,479.9 million in 2024, and the decrease in the average balance was mainly due to the Bank's proactive optimization of its liability allocation structure. The average cost rate of financial assets sold under repurchase agreements and placements from banks and other financial institutions decreased from 2.54% in 2023 to 2.23% in 2024, which in turn was mainly due to the decrease in market interest rates.

Management Discussion and Analysis

(C) Interest expense on debt securities issued

Interest expense on debt securities issued increased by 13.3% from RMB590.7 million in 2023 to RMB669.1 million in 2024, primarily due to an increase in the average balance of debt securities issued by 20.4% from RMB23,556.7 million in 2023 to RMB28,354.6 million in 2024, and the increase in the average balance was mainly due to the Bank's proactive optimization of its liability allocation structure. The average cost rate decreased from 2.51% in 2023 to 2.36% in 2024, which in turn was mainly due to the decline in market interest rates.

(D) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 14.5% from RMB648.5 million in 2023 to RMB554.6 million in 2024, primarily because the average balance of deposits from banks and other financial institutions decreased by 9.1% from RMB23,781.7 million in 2023 to RMB21,625.7 million in 2024. Such decrease in the average balance was primarily due to the decrease in the funds raised through deposits from banks and other financial institutions resulting from the adjustment of debt structure by the Bank. The average cost ratio of deposits from banks and other financial institutions decreased from 2.73% to 2.56%, which in turn was mainly due to the decline in market interest rates.

(E) Interest expense on borrowings from the central bank

Interest expense on borrowings from the central bank decreased by 9.9% from RMB144.0 million in 2023 to RMB129.8 million in 2024, primarily because the average cost ratio of borrowings from the central bank decreased from 1.90% to 1.75%, which in turn was mainly due to the decline in market interest rates. The average balance decreased by 2.2% from RMB7,598.9 million in 2023 to RMB7,432.3 million in 2024. Such decrease in the average balance was primarily due to a decrease in rediscounting operations.

(iii) Net interest spread and net interest margin

Net interest spread decreased from 1.26% in 2023 to 1.02% in 2024, partly due to a decrease in average yield of total interest-earning assets from 3.74% to 3.29%, which in turn was primarily due to (i) the decline in market interest rates, and (ii) a decrease in the average rate of return of the standardized securities business affected by market interest rate prices; partly due to the decrease in the average cost ratio of interest-bearing liabilities from 2.48% to 2.27%, which in turn was mainly due to the Bank's proactive efforts to reduce the cost of liabilities; and also due to the larger decrease in the average yield of interest-earning assets than the decrease in the average cost ratio of interest-bearing liabilities. The combination of the aforesaid reasons resulted in the decrease of 0.24 percentage point in net interest spread.

Net interest margin fell from 1.48% in 2023 to 1.18% in 2024, primarily due to the year-on-year decrease in net interest income as a result of the impact of the downward trend in market interest rates despite the fact that the average daily balance of the Bank's interest-earning assets increased steadily due to the Bank's proactive adjustment of its asset structure and increased support for the real economy.

Management Discussion and Analysis

(iv) Non-interest income

(A) Net fee and commission income

	Year ended December 31,			
	2024	2023	Increase or decrease	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Fee and commission income				
Wealth management service fees	116.4	99.9	16.5	16.5
Agency service fees	45.4	46.3	(0.9)	(1.9)
Settlement and clearing fees	140.3	155.8	(15.5)	(9.9)
Bank acceptance bill service fees	16.5	14.8	1.7	11.5
Letters of guarantee fees	73.3	70.1	3.2	4.6
Others ⁽¹⁾	42.4	37.1	5.3	14.3
Subtotal	434.3	424.0	10.3	2.4
Fee and commission expenses	(34.3)	(44.1)	9.8	(22.2)
Net fee and commission income	400.0	379.9	20.1	5.3

Note:

(1) Primarily include guarantee fees and advisory service income.

Net fee and commission income increased by 5.3% from RMB379.9 million in 2023 to RMB400.0 million in 2024, primarily due to the Bank's increased marketing efforts in wealth management business, which has led to an increase in fee income from wealth management services, while effectively reducing fee expenses.

(B) Net trading gains

Net trading gains primarily included gains from disposal of financial assets and interest income from financial assets held for trading for the period. We had net trading gains of RMB629.0 million in 2023, and net trading gains of RMB828.9 million in 2024. The increase was mainly due to the fact that the Bank has proactively seized investment opportunities in the market and effectively increased the income from the financial interbank business.

Management Discussion and Analysis

(C) *Net gains arising from investment securities*

The net gains arising from investment securities and other financial assets included net gains from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to gains or losses upon the disposal of assets. The net gains arising from investment securities and other financial assets of the Bank amounted to RMB116.6 million in 2023. The net gains arising from investment securities and other financial assets of the Bank amounted to RMB41.2 million in 2024.

(D) *Net exchange gains*

Net exchange gains mainly included net gains arising out of foreign exchange settlement and translation of foreign exchange investment assets. We had net exchange gains of RMB47.5 million in 2023 and net exchange gains of RMB38.4 million in 2024, primarily due to the fluctuation of foreign exchange rate.

(E) *Other operating income, net*

Other operating income mainly included government subsidies, net income from the short-term leasing of fixed assets and assets disposal and others. Other operating income of the Bank was RMB57.6 million in 2023. In 2024, other operating income of the Bank was RMB9.0 million, mainly representing the rental and other business income received during the period.

(v) **Operating expenses**

Operating expenses decreased by 0.5% from RMB2,388.8 million in 2023 to RMB2,376.6 million in 2024, primarily due to the decrease in premises and equipment expenses as well as business tax and surcharge.

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

	Year ended December 31,			
	2024	2023	Increase or decrease	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Staff costs	1,269.9	1,261.8	8.1	0.6
Premises and equipment expenses	426.7	432.6	(5.9)	(1.4)
General management and administrative expenses	578.0	590.8	(12.8)	(2.2)
Business tax and surcharge	102.0	103.6	(1.6)	(1.5)
Total	2,376.6	2,388.8	(12.2)	(0.5)
Cost-to-income ratio⁽¹⁾ (%)	38.20	34.29	3.9	11.4

Note:

(1) Calculated by dividing total operating expenses (net of business tax and surcharge) by total operating income.

Management Discussion and Analysis

(A) Staff costs

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

	Year ended December 31,			
	2024	2023	Increase or decrease	Percentage change (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Salaries and bonuses	878.4	834.8	43.6	5.2
Social insurance	238.6	249.4	(10.8)	(4.3)
Housing allowances	92.0	94.7	(2.7)	(2.9)
Staff welfares	38.3	56.1	(17.8)	(31.7)
Labour union and staff education expenses	15.9	19.9	(4.0)	(20.1)
Others	6.7	6.9	(0.2)	(2.9)
Total staff costs	1,269.9	1,261.8	8.1	0.6

Staff costs increased by 0.6% from RMB1,261.8 million in 2023 to RMB1,269.9 million in 2024, representing a slight increase.

(B) Premises and equipment expenses

Premises and equipment expenses decreased by 1.4% from RMB432.6 million in 2023 to RMB426.7 million in 2024, mainly due to the fact that the Bank strictly controlled and reduced its premises and equipment expenses.

(C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses decreased by 2.2% from RMB590.8 million in 2023 to RMB578.0 million in 2024, mainly due to the fact that the Bank increased its effort on the reduction of management and administrative expenses, which controlled the rigid growth of expenses effectively.

(D) Business tax and surcharges

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges of the Bank decreased by 1.5% from RMB103.6 million in 2023 to RMB102.0 million in 2024.

Management Discussion and Analysis

(vi) Impairment losses on credit/assets

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

	Year ended December 31,			
	2024	2023	Increase or decrease	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Loans and advances to customers	2,019.5	2,086.3	(66.8)	(3.2)
Investment assets	967.9	1,475.5	(507.6)	(34.4)
Other assets	134.7	108.8	25.9	23.8
Acceptance bills, letters of guarantees and unused credit card commitments	(20.5)	36.4	(56.9)	(156.3)
Total impairment losses on credit/assets	3,101.6	3,707.0	(605.4)	(16.3)

Impairment losses on credit/assets decreased by 16.3% from RMB3,707.0 million in 2023 to RMB3,101.6 million in 2024, mainly due to the Bank's increased disposal of non-performing assets and the decrease in the provision for credit/asset impairment losses.

Credit impairment losses on loans and advances to customers decreased by 3.2% from RMB2,086.3 million in 2023 to RMB2,019.5 million in 2024, which was mainly due to the relative stability in the quality of Bank's loan and advance assets and the decrease in the provision for credit/asset impairment losses.

Credit impairment losses of investment assets decreased by 34.4% from RMB1,475.5 million of provision in 2023 to RMB967.9 million of provision in 2024, mainly due to the Bank's increased disposal of investment assets and the decrease in the provision for credit/asset impairment losses of investment assets.

(vii) Income tax credit

Income tax credit was RMB77.1 million in 2023 and the income tax credit was RMB109.0 million in 2024. The Income tax credit was mainly due to the provision for asset impairment losses, and the write-off of non-performing assets, resulting in the temporary differences of deductible losses, as well as the greater deferred income tax expenses recognized than the current income tax expenses.

Management Discussion and Analysis

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2024 and 2023, the total assets of the Bank were RMB414,707.6 million and RMB388,588.7 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and placements with other financial institutions; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Assets				
Loans and advances to customers, gross	231,414.3	55.8	222,871.6	57.4
Provision for impairment losses	(5,818.7)	(1.4)	(5,781.8)	(1.5)
Net loans and advances to customers	225,595.6	54.4	217,089.8	55.9
Investment securities and other financial assets ⁽¹⁾	137,451.3	33.1	127,021.7	32.7
Deposits with banks and placements with other financial institutions	6,030.5	1.5	5,273.4	1.4
Cash and deposits with the central bank	23,171.6	5.6	19,262.0	5.0
Financial assets held under resale agreements	8,989.2	2.2	10,664.0	2.7
Other assets ⁽²⁾	13,469.4	3.2	9,277.8	2.3
Total assets	414,707.6	100.0	388,588.7	100.0

Notes:

- (1) Including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost.
- (2) Primarily consist of property and equipment, deferred tax assets, interests receivable, interests in an associate and right-of-use assets.

Management Discussion and Analysis

(A) Loans and advances to customers

As of December 31, 2024, the total loans and advances to customers (including interest accrued) of the Bank were RMB231,414.3 million, representing an increase of 3.8% as compared to the end of 2023. Total loans and advances to customers accounted for 55.8% of the total assets of the Bank, representing a decrease of 1.6 percentage points as compared to the end of 2023.

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

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Corporate loans	154,092.7	66.6	142,825.3	64.1
Retail loans	53,815.9	23.3	51,972.0	23.3
Discounted bills	16,950.9	7.3	22,320.1	10.0
Accrued interest	6,554.8	2.8	5,754.2	2.6
Total loans and advances to customers	231,414.3	100.0	222,871.6	100.0

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented 54.4% and 55.9% of total assets as of December 31, 2024 and 2023, respectively.

The Bank's corporate loans increased by 7.9% from RMB142,825.3 million as of December 31, 2023 to RMB154,092.7 million as of December 31, 2024. The increase in corporate loans was primarily due to the Bank's positive response to national policies by enhancing the support for real economy.

The Bank's retail loans mainly comprise personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans increased by 3.5% from RMB51,972.0 million as of December 31, 2023 to RMB53,815.9 million as of December 31, 2024, primarily due to (i) the increased efforts of the Bank to develop the credit card overdraft business; and (ii) the Bank's proactive shift to focus on retail loans to increase consumption loans.

Loans and advances to customers by type of collateral

The table below sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Collateralized loans	92,727.8	40.1	91,654.4	41.1
Pledged loans	13,382.2	5.8	13,262.8	6.0
Guaranteed loans	75,773.8	32.7	78,329.4	35.1
Unsecured loans	42,975.7	18.6	33,870.8	15.2
Accrued interest	6,554.8	2.8	5,754.2	2.6
Total loans and advances to customers	231,414.3	100.0	222,871.6	100.0

Management Discussion and Analysis

As of December 31, 2023 and December 31, 2024, collateralized loans, pledged loans and guaranteed loans in the aggregate represented 82.2% and 78.6% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. The Bank usually accepts guarantees provided by listed companies, guarantee companies, enterprises and individuals with good credit. The Bank evaluates a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.

Unsecured loans increased by 26.9% from RMB33,870.8 million as of December 31, 2023 to RMB42,975.7 million as of December 31, 2024. The increase in unsecured loans was primarily due to the continuous enhancement on the development of the credit card overdraft business during the year and continuously increasing investment in, and development of, unsecured online loan products.

Change to the provisions for impairment losses on loans and advances to customers

The table below sets forth the change to the provisions for impairment losses on loans and advances to customers as of the dates indicated.

	2024 (Expressed in millions of RMB, unless otherwise stated)	2023
As of January 1	5,781.8	5,649.2
Charge for the year	2,019.5	2,086.3
Write-offs for the year and others	(2,102.7)	(2,073.9)
Reversal of write-offs of loans and advances for the previous years	120.1	120.2
As of December 31	5,818.7	5,781.8

Provisions for impairment losses on loans and advances to customers increased by 0.6% from RMB5,781.8 million as of December 31, 2023 to RMB5,818.7 million as of December 31, 2024, primarily due to the facts that (i) based on the growth of the scale of loans and advances, the Bank made provisions for asset impairment losses and improved risk resilience by taking into account uncertainties such as changes in the external economic situation; and (ii) the Bank intensified its collection efforts on loans and advances that were written off in previous years, resulting in an increase in the provision balance.

(B) *Investment securities and other financial assets*

As of December 31, 2024 and 2023, the Bank's investment securities and other financial assets (original value) were RMB141,293.5 million and 130,134.3 million, representing 34.1% and 33.5% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products and others.

Investment securities and other financial assets (original value) increased by 8.6% from RMB130,134.3 million as of December 31, 2023 to RMB141,293.5 million as of December 31, 2024. This increase was primarily because of the fact that the Bank diversified allocation of assets through investment in securities and other financial assets, thereby effectively increasing its sources of income.

Management Discussion and Analysis

(ii) Liabilities

As of December 31, 2024 and 2023, the total liabilities were RMB380,869.7 million and RMB355,408.6 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements and placements from banks and other financial institutions; (iv) debt securities issued; (v) borrowings from the central bank; and (vi) other liabilities. The table below sets forth the components of total liabilities as of the dates indicated.

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Deposits from customers	321,379.3	84.4	295,556.2	83.2
Deposits from banks and other financial institutions	15,708.6	4.1	20,120.3	5.7
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	5,922.0	1.6	8,743.3	2.5
Debt securities issued	27,392.6	7.2	22,172.4	6.2
Borrowings from the central bank	8,404.8	2.2	7,069.3	2.0
Other liabilities ⁽¹⁾	2,062.4	0.5	1,747.1	0.4
Total liabilities	380,869.7	100.0	355,408.6	100.0

Note:

(1) Primarily include taxes payable, accrued staff costs, lease liabilities and deferred tax liabilities.

Management Discussion and Analysis

(A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of December 31, 2023 and December 31, 2024, deposits from customers represented 83.2% and 84.4% of the total liabilities, respectively.

We offer RMB-denominated demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Corporate deposits				
Demand deposits	58,136.7	18.1	52,063.3	17.6
Time deposits	23,579.8	7.3	23,916.3	8.1
Subtotal	81,716.5	25.4	75,979.6	25.7
Retail deposits				
Demand deposits	43,997.6	13.7	42,637.0	14.4
Time deposits	179,848.9	56.0	158,907.7	53.8
Subtotal	223,846.5	69.7	201,544.7	68.2
Pledged deposits	6,011.8	1.9	7,167.3	2.4
Others	2,942.3	0.9	2,408.7	0.8
Accrued interest	6,862.2	2.1	8,455.9	2.9
Total deposits from customers	321,379.3	100.0	295,556.2	100.0

Total deposits from customers (including accrued interest) increased by 8.7% from RMB295,556.2 million as of December 31, 2023 to RMB321,379.3 million as of December 31, 2024. The increase was primarily attributable to the steady growth in the scale of retail deposits as a result of the Bank's enhanced marketing efforts.

Management Discussion and Analysis

(B) *Debts securities issued*

From January 1, 2024 to December 31, 2024, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate face value of RMB37,200.0 million. These interbank certificates have terms of three months to one year and bear effective interest rates between 1.99% and 2.55% per annum.

(iii) **Shareholders' equity**

The table below sets forth the change in Shareholders' equity of the Bank for the periods indicated.

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Share capital	15,069.8	44.5	15,069.8	45.4
Capital reserve	5,958.7	17.6	5,956.7	17.9
Defined benefit scheme reserve	(5.3)	0.0	(3.4)	—
Investment revaluation reserve	108.6	0.3	35.6	0.1
Surplus reserve	1,966.3	5.8	1,908.5	5.8
General reserve	5,784.2	17.1	5,373.7	16.2
Retained earnings	4,910.7	14.6	4,796.8	14.5
Non-controlling interests	44.9	0.1	42.4	0.1
Total equity	33,837.9	100.0	33,180.1	100.0

Management Discussion and Analysis

(c) Asset quality analysis

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

The Bank's non-performing loans are classified into substandard, doubtful and loss-making loans and advances to customers. As of December 31, 2024, the Bank's non-performing loans amounted to RMB4,340.7 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Normal	210,960.3	93.8	203,909.5	93.9
Special mention	9,558.5	4.3	8,873.5	4.1
Substandard	2,351.2	1.0	2,087.4	0.9
Doubtful	553.0	0.3	385.1	0.2
Loss	1,436.5	0.6	1,861.9	0.9
Total loans and advances to customers	224,859.5	100.0	217,117.4	100.0
Non-performing loans and non-performing loan ratio⁽¹⁾	4,340.7	1.93	4,334.4	2.00

Note:

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

As of December 31, 2024 and 2023, the non-performing loan ratio of the Bank was at 1.93% and 2.00%, respectively, representing a decrease of 0.07 percentage point.

Management Discussion and Analysis

(ii) Concentration of loans

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

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

	As of December 31, 2024				As of December 31, 2023			
	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total (%)	Non- performing loan amount	Non- performing loan ratio (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>								
Corporate loans								
Wholesale and retail	13,640.7	6.1	342.2	2.51	12,502.1	5.8	883	7.06
Manufacturing	35,269.8	15.7	1,240.1	3.52	31,675.6	14.6	227.1	0.72
Agriculture, forestry, animal husbandry and fishing	6,780.4	3.0	205.6	3.03	7,648.8	3.5	268.6	3.51
Construction	16,005.2	7.1	111.4	0.70	14,628.0	6.7	153.6	1.05
Real estate	12,630.6	5.6	26.1	0.21	10,959.4	5.0	488.4	4.46
Mining	7,101.3	3.2	89.5	1.26	6,392.3	2.9	92.7	1.45
Water, environment and public facility management	3,696.4	1.6	0.0	0.00	4,234.6	2.0	0.0	0.00
Culture, sports and entertainment	2,496.5	1.1	0.6	0.03	3,249.6	1.5	1.9	0.06
Leasing and business services	26,292.7	11.7	21.5	0.08	24,667.3	11.4	31.3	0.13
Electricity, heating power, gas and water production and supply	4,940.0	2.2	9.0	0.18	3,198.5	1.5	8.4	0.26
Transportation, storage and postal services	11,472.1	5.1	28.1	0.24	10,843.1	5.0	35.8	0.33
Education	1,220.8	0.5	0.2	0.02	1,568.5	0.7	0.8	0.05
Accommodation and catering	1,983.0	0.9	100.1	5.05	2,618.0	1.2	141.9	5.42
Financial	7,381.0	3.3	0.0	0.00	5,592.8	2.6	0.0	0.00
Health and social services	2,131.9	0.9	0.0	0.00	2,130.2	0.9	0.0	0.00
Residents and other services	350.8	0.2	0.4	0.10	444.2	0.2	6.2	1.40
Scientific research, technical service and geological prospecting	550.0	0.2	3.7	0.68	350.6	0.2	0.0	0.00
Information transmission, computer service and software	149.5	0.1	5.5	3.65	121.7	0.1	8.9	7.31
Public administration, social security and social organizations	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Retail loans	53,815.9	23.9	2,156.7	4.01	51,972.0	23.9	1,985.8	3.82
Discounted bills	16,950.9	7.5	0.0	0.00	22,320.1	10.3	0.0	0.00
Total	224,859.5	100.0	4,340.7	1.93	217,117.4	100	4,334.4	2.00

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

Management Discussion and Analysis

Loans to borrowers in the manufacturing, leasing and business services, construction, wholesale and retail, and real estate industries represented the principal components of the Bank's corporate loan portfolio. Loans to these industries accounted for 66.1% and 67.4% of total corporate loans as of December 31, 2023 and 2024, respectively.

(B) Borrower concentration

Loans to the 10 largest single borrowers

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as of December 31, 2024 and the balances of loans to these borrowers. All of these loans were classified as normal.

		As of December 31, 2024	
Customers	Industries involved	Amount	% of total loans (%)
		<i>(Expressed in millions of RMB, unless otherwise stated)</i>	
Borrower A	Manufacturing	8,000.0	3.6
Borrower B	Leasing and business services	3,200.0	1.4
Borrower C	Leasing and business services	2,864.2	1.3
Borrower D	Real estate	2,409.3	1.1
Borrower E	Construction	2,385.7	1.0
Borrower F	Financial	2,044.0	0.9
Borrower G	Leasing and business services	2,015.0	0.9
Borrower H	Leasing and business services	1,965.8	0.9
Borrower I	Financial	1,810.0	0.8
Borrower J	Transportation, storage and postal services	1,800.0	0.8

Management Discussion and Analysis

(C) Non-performing loans by product

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

	As of December 31, 2024			As of December 31, 2023		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Corporate loans						
Working capital loans	100,252.2	1,633.2	1.63	94,873.8	1,375.4	1.45
Fixed asset loans	53,583.4	352.6	0.66	47,872.7	894.4	1.87
Others ⁽²⁾	257.1	198.2	77.12	78.8	78.8	100.00
Sub-total	154,092.7	2,184.0	1.42	142,825.3	2,348.6	1.64
Retail loans						
Personal business loans	5,373.5	1,043.8	19.43	5,646.0	989.5	17.53
Personal consumption loans	19,028.5	526.9	2.77	18,302.3	448.1	2.45
Residential and commercial mortgage loans	29,413.9	586.0	1.99	28,023.7	548.2	1.96
Sub-total	53,815.9	2,156.7	4.01	51,972.0	1,985.8	3.82
Discounted bills	16,950.9	0.0	0.00	22,320.1	0.0	0.00
Total loans	224,859.5	4,340.7	1.93	217,117.4	4,334.4	2.00

Notes:

- (1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.
- (2) Primarily consist of advances for bank acceptance bills, advances for letters of credit.

The non-performing loan ratio of corporate loans decreased by 0.22 percentage point from 1.64% as of December 31, 2023 to 1.42% as of December 31, 2024.

The non-performing loan ratio of retail loans increased by 0.19 percentage point from 3.82% as of December 31, 2023 to 4.01% as of December 31, 2024.

Management Discussion and Analysis

(D) Loan aging schedule

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

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Loans not overdue	218,478.8	97.2	211,160.3	97.3
Loans past due for:				
1 to 90 days	2,886.3	1.3	2,931.3	1.3
91 days to 1 year	1,798.5	0.8	1,032.7	0.5
1 to 3 years	898.0	0.4	801.3	0.4
more than 3 years	797.9	0.3	1,191.8	0.5
Subtotal	6,380.7	2.8	5,957.1	2.7
Total loans and advances to customers	224,859.5	100.0	217,117.4	100.0

(d) Segments information

(i) Summary of business segment

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Corporate banking	1,933.5	32.5	2,678.4	40.2
Retail banking	1,981.5	33.3	2,789.5	41.9
Financial market operations	1,949.1	32.7	1,055.2	15.8
Others ⁽¹⁾	89.8	1.5	142.0	2.1
Total operating income	5,953.9	100.0	6,665.1	100.0

Note:

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

Management Discussion and Analysis

(ii) Summary of geographical segment information

No geographical information is presented as most of the Group's operations are conducted and all non-current assets are located in Gansu Province of the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

(e) Off-balance sheet commitments

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

	As of December 31, 2024 <i>(Expressed in millions of RMB, unless otherwise stated)</i>	As of December 31, 2023
Credit commitments:		
Bank acceptances ⁽¹⁾	6,583.5	8,053.6
Letters of guarantee ⁽²⁾	1,276.5	1,983.8
Letters of credit	4,103.9	3,545.1
Unused credit card commitments	10,109.9	10,783.8
Subtotal	22,073.8	24,366.3
Capital commitments	47.0	27.1
Total	22,120.8	24,393.4

Notes:

- (1) Bank acceptances refer to undertakings of the Bank to pay bank bills drawn on its customers.
- (2) The Bank issues letters of credit and letters of guarantee to third parties to guarantee its customers' contractual obligations.

As of December 31, 2024 and 2023, off-balance sheet commitments amounted to RMB22,120.8 million and RMB24,393.4 million, respectively, and the decrease was mainly due to the adjustments to off-balance assets structure made by the Bank in an active manner.

Management Discussion and Analysis

(f) Miscellaneous

During the Reporting Period, the Bank actively promoted the development of inclusive business. The Bank promoted the establishment of the “Rural Revitalization Finance Department” and established the Inclusive Finance Department and the Rural Revitalization Finance Department in 19 first-level branches, forming the Bank’s financial service system and an organizational guarantee system to support inclusive finance and rural revitalization. As at the end of 2024, the Bank’s balance of the loans for inclusive small and micro enterprises amounted to RMB13.491 billion, with the total investment of RMB10.740 billion in the current year. The number of inclusive small and micro customers was 16,519, including 2,162 inclusive micro and small enterprise customers and 14,357 individual entrepreneurs and small and micro enterprises entrepreneurs; the average interest rate of loans for inclusive small and micro enterprises was 4.98%. Firstly, the Bank actively expanded businesses such as guaranteed entrepreneurial loans and loans for new citizens to support the employment and entrepreneurship of key groups, with the balance of guaranteed entrepreneurial loans amounting to RMB280 million and the balance of loans for new citizens amounting to RMB2,069 million. We improved the “government procurement loans” product, which invested RMB911 million. The “small and micro e-loan” product was promoted, which provides online business credit loan products to small and micro enterprises and individual entrepreneurs at an interest rate of as low as 3.6% to make it easier and less costly for small and micro enterprises to obtain financing. RMB2,654 million of “small and micro e-loan” during the year was allocated to 11,238 enterprises, effectively solving the problem of growth in the number of loan customers for inclusive small and micro enterprises. Secondly, the Bank’s service to rural revitalization was carried out in a comprehensive and practical manner. The Bank continued to implement the “RMB100 billion Project” for agricultural loans, with a cumulative total of RMB82.021 billion of agricultural loans from 2021 to 2024, providing strong financial support for rural economic development. The Bank further implemented the “Gansu Agricultural Loan” rural revitalization demonstration project, focusing on the financing needs of new agricultural entities such as leading agricultural industrialization enterprises, farmers’ professional cooperatives and family farms. As at the end of 2024, the balance of the “Gansu Agricultural Loan” demonstration project amounted to RMB4.322 billion, and the balance of the loans for the six industries of “cattle, sheep, vegetables, fruits, potatoes and Chinese medicinal herbs” amounted to RMB5.815 billion. Fourthly, the Bank continued to strengthen the achievements of poverty alleviation. We aimed to prevent the risk of large-scale poverty alleviation and provided timely financial assistance to monitored targets for preventing the return of poverty that have the ability to work and the financial needs. We have made efforts to provide microloans to lift population out of poverty and to address the financial service deficiencies of low-income, elderly and disabled people, as well as people in marginalized and sparsely populated areas. A total of RMB9.2 billion of poverty alleviation microfinance loans were granted, benefiting 210,000 registered households.

Management Discussion and Analysis

BUSINESS REVIEW

(g) Corporate banking

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. The Bank's corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises.

In addition, the Bank commits to seeking to develop long-term relationships with customers by closely monitoring their financial needs and by offering tailored financial solutions. As of December 31, 2024, the Bank had total loans of RMB154,092.7 million and total deposits of RMB81,716.5 million. In 2024 and 2023, operating income from the Bank's corporate banking business accounted for 32.5% and 40.2% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's corporate banking business for the periods indicated.

	Year ended December 31,		
	2024	2023	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>		
Net external interest income⁽¹⁾	5,154.9	6,134.1	(16.0)
Net inter-segment interest expenses ⁽²⁾	(3,446.2)	(3,683.9)	(6.5)
Net interest income	1,708.7	2,450.2	(30.3)
Net fees and commission income	224.8	228.2	(1.5)
Operating income	1,933.5	2,678.4	(27.8)
Operating expenses	(771.8)	(959.9)	(19.6)
Impairment losses on assets	(1,610.0)	(973.1)	65.5
Operating (loss)/profit	(448.3)	745.4	(160.1)
(Losses)/profit before tax	(448.3)	745.4	(160.1)

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

(i) Corporate loans

Corporate loans constituted the largest component of the Bank's loan portfolio. As of December 31, 2024 and 2023, corporate loans amounted to RMB154,092.7 million and RMB142,825.3 million, accounting for 66.6% and 64.1% of the Bank's total loans and advances to customers, respectively.

Management Discussion and Analysis

(ii) Discounted bills

The Bank purchases bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices from banks and corporate customers to satisfy their short-term funding needs. As of December 31, 2024 and 2023, discounted bills totaled RMB16,950.9 million and RMB22,320.1 million, accounting for 7.3% and 10.0% of the Bank's total loans and advances to customers, respectively.

(iii) Corporate deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies (including USD, HKD and EUR) from corporate customers. As of December 31, 2024 and 2023, corporate deposits totaled RMB81,716.5 million and RMB75,979.6 million, accounting for 25.4% and 25.7% of the Bank's total customer deposits, respectively.

(iv) Fee and commission-based products and services

The Bank offers corporate customers a broad range of fee and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services and other fee and commission-based products and services.

(A) *Wealth management services*

The Bank offers corporate customers a broad range of wealth management products based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products portfolio.

In 2024 and 2023, wealth management products sold to corporate customers totaled RMB95 million and RMB327.9 million, respectively.

(B) *Entrusted loans*

The Bank provides loans on behalf of corporate customers to borrowers designated by them based on the use of funds, principal amount and interest rates for the loans determined by such corporate customers. The Bank monitors the use of entrusted loans by borrowers and assists corporate customers in recovering these loans.

The Bank charges agency fees based on the principal amount of entrusted loans. The Bank's corporate customers bear the risk of default associated with these loans. In 2024 and 2023, service fees charged to corporate customers for entrusted loans totaled RMB2.4 million and RMB3.7 million, respectively.

(C) *Settlement services*

The Bank offers corporate customers domestic and international settlement services.

Domestic Settlement Services. The Bank provides domestic settlement services in the form of Bank acceptance bills, collections and telegraphic transfers. In 2023 and 2024, the Bank's total domestic settlement transaction volumes were approximately RMB956.397 billion and RMB984.906 billion, respectively.

International Settlement Services. The Bank obtained approval to provide international settlement services in January 2014. The Bank's international settlement services primarily include remittance, collection, letters of credit and letters of guarantee.

In 2023 and 2024, the Bank's international settlement transaction volumes were US\$674 million and US\$415 million, respectively.

Management Discussion and Analysis

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

The Bank offers other fee and commission-based products and services to corporate customers, such as guarantee services, foreign exchange services and bond underwriting and distribution.

(h) Retail banking

The Bank offers retail customers a wide range of financial products and services, including loans, deposits, bank card services and fee and commission-based products and services. The Bank has a large retail customer base.

As of December 31, 2024, we had total retail loans of RMB53,815.9 million and total retail deposits of RMB223,846.5 million. In 2024 and 2023, operating income from the Bank's retail banking business accounted for 33.3% and 41.9% of our total operating income, respectively.

The Bank categorizes retail banking customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above).

As of December 31, 2024, the Bank had over 369,600 wealthy customers and over 3,065 private banking customers. The Bank continues to grow our wealthy customer and private banking customer base by expanding its product and service portfolio. The table below sets forth the financial performance of its retail banking for the periods indicated.

	Year ended December 31,		
	2024	2023	Percentage change (%)
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>		
Net external interest expenses ⁽¹⁾	(3,075.3)	(2,707.0)	13.6
Net inter-segment interest income ⁽²⁾	4,940.3	5,396.6	(8.5)
Net interest income	1,865.0	2,689.6	(30.7)
Net fee and commission income	116.4	99.9	16.5
Operating income	1,981.4	2,789.5	(29.0)
Operating expenses	(790.9)	(998.8)	(20.8)
Impairment losses on assets	(388.9)	(1,169.5)	(66.7)
Operating profit	801.6	620.2	29.2
Profit before tax	801.6	620.2	29.2

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

Management Discussion and Analysis

(i) Retail loans

The Bank offers retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of December 31, 2024 and 2023, total retail loans were RMB53,815.9 million and RMB51,972.0 million, respectively, accounting for 23.3% and 23.3% of the Bank's total loans and advances to customers, respectively.

(ii) Retail deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of December 31, 2024 and 2023, retail deposits totaled RMB223,846.5 million and RMB201,544.7 million, accounting for 69.7% and 68.2% of the Bank's total customer deposits, respectively.

(iii) Bank card services

(A) Debit cards

The Bank issues debit cards denominated in Renminbi to retail customers holding deposit accounts with it. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. The Bank provides cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a Bank cardholder's deposit balances.

To expand its customer base and service scope, the Bank issues the following debit cards in cooperation with government agencies and public organizations:

- Social Security Card (社會保障卡): The Bank works with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue social security cards, which can be used for making social security contributions and social security information inquiries.
- Housing Provident Fund Co-branded Cards (公積金聯名卡): The Bank works with the local housing provident fund management center to issue housing provident fund co-branded cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- Longyuan Transportation Cards (隴原交通卡): The Bank works with the Gansu Provincial Expressway Administration to issue IC financial cards, which can be used for paying expressway tolls electronically.
- Veteran Card (退役軍人保障卡): The IC financial cards issued by the Bank in partnership with Gansu Provincial Veterans Affairs Office, which targets veterans and soldiers' dependents in the province, providing exclusive financial management, savings products, special insurances and exclusive VIP services for cardholders.
- Longjing Card (隴警卡): The IC financial cards issued by the Bank in partnership with Gansu Provincial Public Security Department, which targets public security officers and their dependents in the province, providing exclusive wealth management, deposit products, and exclusive VIP services for cardholders.
- Gardener's Card (園丁卡): The IC financial cards issued by the Bank in partnership with Lanzhou Municipal Education Bureau, which targets teaching staff, providing exclusive wealth management, deposit products, and exclusive VIP services for cardholders.

Management Discussion and Analysis

In addition, to enhance its brand recognition, the Bank cooperates with local governments to issue theme cards based on regional characteristics of Gansu Province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xiongguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). The Bank also cooperates with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui Reli Co-branded Card (天水熱力聯名卡) and Qingyang Labor Benefit Card (慶陽工惠卡).

As of December 31, 2024, the Bank had issued approximately 8.95 million debit cards. As of December 31, 2024 and 2023, holders of these debit cards conducted transactions of approximately RMB56,830.7 million and RMB64,070.8 million, respectively.

(B) Credit cards

On the basis of a thorough investigation of the market, the Bank integrated and upgraded the credit card system using leading financial technology and big data and officially issued credit cards with a certain credit limit to the public on November 11, 2019. Cardholders can spend up to the credit limit first and then make payment to the Bank, and are entitled to financial services such as consumer credit, cash deposit and withdrawal and settlement by transfer of account. Credit cards issued by the Bank are classified into basic cards, gold cards and platinum cards according to different credit ratings.

As of December 31, 2024, the Bank had issued 962,359 credit cards, including 919,402 credit cards and 42,957 business cards. The revolving credit card line was RMB13,125 million, of which RMB12,335 million and RMB790 million were granted to credit cards and business cards, respectively. Balance of overdraft recorded was RMB3,062.2027 million, of which RMB3,027.2036 million and RMB34.9991 million were made by holders of credit cards and business cards, respectively. Overdraft accounts reached 313,580, including 308,927 credit card accounts and 4,653 business card accounts. The total credit card income amounted to RMB205.2930 million, of which RMB79.4670 million was recorded by intermediary business, and RMB125.8260 million was included in interest income.

(C) POS settlement services

As a payment settlement service provider, the Bank provides selected merchants with transaction fund settlement services. As of December 31, 2024, the Bank had 206,000 selected merchant customers for POS settlement services and the total settlement amount was approximately RMB115.0 billion and RMB89,477 million as of December 31, 2024 and 2023, respectively.

(iv) Fee and commission-based products and services

The Bank offers retail customers a wide range of fee and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.

Management Discussion and Analysis

(A) *Wealth management services*

The Bank offers retail customers wealth management products under its Huifu (匯福) series based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products. In 2024 and 2023, wealth management products sold to retail customers totaled RMB32,819.74 million and RMB33,074.05 million, respectively. As of December 31, 2024, the Bank had over 153,911 retail wealth management clients and the return rate of its retail wealth management products was between 3.15% and 4.92% in 2024.

(B) *Agency services*

The Bank sells insurance, wealth management and precious metal products to retail customers as an agent.

Insurance Products: as of December 31, 2024, the Bank had entered into agency agreements with 5 nationwide insurance companies to promote and distribute their insurance products.

Wealth Management Products: as of December 31, 2024, the Bank had entered into agency agreements with 6 wealth management companies to promote and distribute their wealth management products, with sales amounts of RMB8,518.89 million.

Precious Metal Products: the Bank received approval to sell precious metals on an agency basis in China in August 2015. In 2024 and 2023, the Bank sold an aggregate of RMB98.75 million and RMB85.25 million of precious metal products, respectively.

(C) *Payroll and payment agency services*

Payroll Services: the Bank provides payroll services to governmental agencies, public organizations and enterprises customers. As of December 31, 2024, the Bank had over 13,752 payroll customers. In 2024 and 2023, the Bank paid, in the role of paying agent, average monthly salaries of approximately RMB5,028.17 million and RMB5,118.46 million, respectively.

Payment Agency Services: the Bank offers customers payment agency services related to daily living expenses (such as utilities costs) through its broad distribution network.

(D) *Other fee and commission-based products and services*

The Bank offers other fee and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.

Management Discussion and Analysis

(i) Financial market operations

The Bank's financial market operations, primarily including money market transactions, investment business and investment in interbank wealth management products, are one of its most important revenue sources. In 2024 and 2023, operating income from financial market operations accounted for 32.7% and 15.8% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's financial market operations for the periods indicated.

	Year ended December 31,		
	2024	2023	Percentage change (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Net external interest income ⁽¹⁾	2,556.6	2,007.5	27.4
Net inter-segment interest expenses ⁽²⁾	(1,494.1)	(1,712.8)	(12.8)
Net interest income	1,062.5	294.7	260.5
Net fee and commission income	16.5	14.9	10.7
Net trading gains	828.9	629.0	31.8
Net income arising from investment securities	41.2	116.6	(64.7)
Operating income	1,949.1	1,055.2	84.7
Operating expenses	(778.0)	(378.2)	105.7
Impairment losses on assets	(968.0)	(1,447.5)	(33.1)
Operating profit/(loss)	203.1	(770.5)	(126.4)
Profit/(loss) before tax	203.1	(770.5)	(126.4)

Notes:

(1) Represents net income and expenses from third parties.

(2) Represents inter-segment expenses and consideration of transfer.

(i) Money market transactions

The Bank adjusts its liquidity using various monetary market instruments and earns interest income from money market transactions. Money market transactions primarily include (i) interbank deposits; (ii) placements with other financial institutions; and (iii) repurchase and reverse repurchase transactions.

(A) Interbank deposits

The Bank deposits funds with and withdraws funds from banks and other financial institutions to manage our assets and liabilities. The Bank accepts deposits from banks and other financial institutions and deposit money in banks and other financial institutions, and also engages in other interbank transactions with certain of these banks and financial institutions.

As of December 31, 2024 and 2023, deposits from banks and other financial institutions totaled RMB15,708.6 million and RMB20,120.3 million, respectively, and deposits of the Bank at banks and other financial institutions totaled RMB1,028.7 million and RMB2,866.1 million, respectively.

Management Discussion and Analysis

(B) *Interbank placements*

The balance of our placements with banks and other financial institutions as of December 31, 2024 totaled RMB5,001.7 million; the balance of our placements with banks and other financial institutions as of December 31, 2023 totaled RMB2,407.2 million. As of the same dates, placements from banks and other financial institutions totaled RMB975.2 million and RMB1,823.0 million, respectively.

(C) *Repurchase and reverse repurchase transactions*

The securities underlying the Bank's repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of December 31, 2024 and 2023, financial assets held under resale agreements totaled RMB8,989.2 million and RMB10,664.0 million, and financial assets sold under repurchase agreements totaled RMB4,946.8 million and RMB6,920.3 million, respectively.

(ii) **Investment securities and other financial assets**

Investment securities and other financial assets primarily include debt securities and asset management plans, trust plans, wealth management products and fund products issued by other financial institutions.

(A) *Security investment by holding purpose*

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

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Financial assets at fair value through profit or loss	28,534.8	20.8	29,646.1	23.3
Financial assets at fair value through other comprehensive income	6,638.6	4.8	11,965.7	9.4
Financial assets at amortized costs	101,408.0	73.8	84,521.6	66.6
Other equity instrument investments	869.9	0.6	888.3	0.8
Total amount of investment securities and other financial assets	137,451.3	100.0	127,021.7	100.0

Total amount of investment securities and other financial assets increased by 8.2% from RMB127,021.7 million as of December 31, 2023 to RMB137,451.3 million as of December 31, 2024.

Management Discussion and Analysis

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

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

	As of December 31, 2024		As of December 31, 2023	
	Amount	% of total (%)	Amount	% of total (%)
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Repayable on demand	9,568.1	7.0	11,612.7	9.1
Due in three months or less	17,069.4	12.4	13,484.7	10.6
Due between three months and one year	26,067.3	19.0	8,013.4	6.3
Due between one year and five years	31,293.6	22.8	44,895.3	35.3
Due over five years	33,250.3	24.2	31,024.4	24.4
Indefinite ⁽¹⁾	20,202.5	14.6	17,991.2	14.3
Total	137,451.2	100.0	127,021.7	100.0

Note:

(1) Refers to impaired investments, and investments and equity investments overdue for more than one month.

(C) Holding of government bonds

As of December 31, 2024, the balance of face value of government bonds held by the Bank amounted to RMB32,139.4 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of December 31, 2024.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
22 Gansu Bonds 24	2,290	2.86	2032/8/23
22 Gansu Bonds 18	1,820	3.29	2042/6/28
22 Gansu Bonds 22	1,514	3.29	2042/6/28
21 Gansu 13	1,500	3.10	2031/9/3
20 Gansu Bonds 16	1,420	3.57	2040/5/29
23 Coupon-bearing treasury bond 17	1,330	2.18	2026/8/15
24 Gansu Bonds 35	1,260	2.20	2034/11/29
24 Gansu Bonds 36	1,120	1.95	2034/12/13
20 Gansu Bonds 06	780	2.96	2027/3/10
20 Gansu Bonds 14	770	3.57	2040/5/29

Management Discussion and Analysis

(D) Holding of financial bonds

As of December 31, 2024, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB48,325 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of December 31, 2024.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
16 EIBC 03	2,440	3.33	2026/2/22
24 CDB 15	2,380	2.26	2034/7/19
24 ADBC 21	2,260	1.45	2025/7/25
18 ADBC 01	1,990	4.98	2025/1/12
24 ADBC 11	1,930	1.67	2025/5/9
22 EIBC 03	1,730	2.57	2025/6/10
24 EIBC 08	1,660	1.47	2025/7/22
20 EIBC 05	1,490	2.93	2025/3/2
20 ADBC 05	1,390	2.25	2025/4/22
24 EIBC 01	1,375	2.00	2025/1/22

(j) Distribution network

(i) Physical outlets

As of December 31, 2024, the Bank had 1 head office operational department, 12 branches, 181 sub-branches, 3 micro-to-small sub-branches and 1 community sub-branches. The Bank's branch network covered all of Gansu's cities and prefectures and approximately 95% of its counties and districts. The details of branches are shown in the following table.

Name of organisation	Business address (PRC)	Postcode	Number of organization
Head office operational department	525-1 Donggang West Road, Chengguan District, Lanzhou City	730000	2
Baiyin Branch	No. 369, Chengxin Avenue, Dijiatai Community, Fangzhi Road Sub-district, Baiyin District, Baiyin City	730900	17
Pingliang Branch	No. 2, Jingtang Road, Xingbei Road Community, Xijiao Street, Kongtong District, Pingliang City	744000	20
Qingyang Branch	No. 3, Honghua West Road, Houguanzhai Village, Houguanzhai Town, Xifeng District, Qingyang City	745000	15
Dingxi branch	Building 3, No. 11, Jiefang Road, Anding District, Dingxi City	743000	12
Tianshui branch	1st Floor and 4-7th Floor, 8th Office Building, Yuyuan Taoli Chunfeng, No. 330 (east of the Building Technology Center), Jihebei Road, Qinzhou District, Tianshui City	741000	14
Longnan Branch	Building 2, Kecheng Jinyu Huafu, No. 1 Wanxiang Street, Wanxiang Community, Jiangbei Sub-district Office, Wudu District, Longnan City	746000	12
Jiuquan Branch	No. 8-1, Building 1, Jinta Road, Suzhou District, Jiuquan City	735000	16

Management Discussion and Analysis

Name of organisation	Business address (PRC)	Postcode	Number of organization
Jiayuguan Branch	No. 111 Xinhua South Road, Jiayuguan City	735100	5
Zhangye Branch	No. 11 West Street, Ganzhou District, Zhangye City	734000	9
Wuwei Branch	No. 57, East Street, Liangzhou District, Wuwei City	733000	10
Linxia Branch	No. 49 Hongyuan Road, Linxia City	731100	11
Gannan Branch	Room 101, 1st Floor, Building 3, No. 327, Nianqin Street, Luqu Road Community, Yihe'ang Sub-district, Hezuo City, Gannan Prefecture	747000	5
Jinchang Sub-branch	No. 4 Tianjin Road, Jinchang City	737100	5
Lanzhou Chengguan Sub-branch	Family Accommodation, Gansu Bureau of Quality and Technical Supervision, Jinchang South Road, Chengguan District, Lanzhou City	730000	14
Lanzhou Jincheng Sub-branch	No. 613 Huochezhan West Road, Chengguan District, Lanzhou City	730000	19
Lanzhou Anning Sub-branch	No. 1952-1956 Jianning West Road, Anning District, Lanzhou City	730070	4
Lanzhou Xigu Sub-branch	Building 4, Poly Lanzhou Tangyue, Yumen Street, Xigu District, Lanzhou City	730060	4
Lanzhou New District Sub-branch	Security Housing B50, Weiyi Road, Lanzhou New District, Lanzhou City	730000	4
Total			198

(ii) Electronic banking business

(A) Internet banking

Through the internet, the Bank offers customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of December 31, 2024, the Bank had over 894,000 internet banking customers, consisting of 81,500 corporate online banking customers and over 812,500 retail online banking customers. As of December 31, 2024, the Bank's corporate online banking customers conducted over 506.2 million online transactions with a total transaction amount of approximately RMB562.749 billion, while retail online banking customers conducted approximately 0.51 million online transactions with a total transaction amount of approximately RMB17.329 billion.

(B) Mobile phone banking

The Bank provides customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of December 31, 2024, the Bank had approximately 4,111,900 retail mobile phone banking customers that had conducted approximately 18.04 million transactions through mobile phone banking, with a total transaction amount of approximately RMB271.634 billion.

(C) Telephone banking

The Bank provides customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of December 31, 2024, the Bank had 764,237 registered telephone banking customers, which were all individual customers.

Management Discussion and Analysis

(D) Self-service banking

The Bank provides convenient banking services to customers at lower operating costs through self-service facilities. The Bank's self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utility payments. As of December 31, 2024, the Bank had 198 outlets, 42 off-bank self-service zones, 520 self-service facilities and 372 intelligent counters.

(E) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access the Bank's products and services; accounts management, transaction inquiries, payment and convenience services; and the Bank's outlet locations inquiry service. As of December 31, 2024, the Bank had over 1,040,000 WeChat banking customers.

(F) E-commerce platform

In June 2017, the Bank formally launched its e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions. As of December 31, 2024, the platform had 1,091 merchants and 2,890,000 users, with a total transaction amount of approximately RMB55.03 million.

(k) Information on the subsidiary

Jingning Chengji Rural Bank

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of December 31, 2024, the Bank held an approximately 62.73% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank, a joint stock company with limited liability incorporated in the PRC, carries out its business in the PRC, primarily engaging in offering financial products and services, including loans, deposits and fee and commission-based products and services to local corporate and retail customers.

As of December 31, 2024, Jingning Chengji Rural Bank had 41 corporate loan customers, 724 corporate deposit customers, 7,540 retail loan customers and 116,612 retail deposit customers. As of December 31, 2024, Jingning Chengji Rural Bank had 12 outlets and 110 employees.

As of December 31, 2024, Jingning Chengji Rural Bank had total assets of RMB1,991.6 million, total deposits of RMB1,743.1 million and total loans of RMB1,287.9 million. In 2023 and 2024, operating income attributable to Jingning Chengji Rural Bank totaled RMB45.3 million and RMB46.6 million, accounting for 0.68% and 0.78% of the Bank's total operating income, respectively.

The Bank assists Jingning Chengji Rural Bank by providing strategic guidance and employee training. The Bank also dispatches professional staff to improve employees' business skills, and share experience to innovate products and services to diversify its business.

Management Discussion and Analysis

(I) Operation and safety of IT systems

The Bank regularly optimizes and upgrades its IT system to support the operation and management of its businesses. In 2023 and 2024, the Bank's investments in its IT system totaled approximately RMB198.3 million and RMB206.7 million, respectively.

In 2024, we closely followed the Bank's "21-word" general work requirements in information technology, and further promoted the construction of digital finance, digital operation, and financial technology, effectively improving the support capacity of financial technology, continuously enhancing the information technology management capacity, and achieving remarkable results in business and grassroots empowerment.

In 2024, we focused the digital transformation work on standardization, scenarios and intelligence, targeted the development of the five major capabilities of "business operation and management, product innovation system, digital risk control, digital application, and technology foundation", and deepened the digital transformation in a multi-level, multi-dimensional and multi-channel manner. We made every effort to promote the digital transformation of corporate and retail businesses. We continuously optimized corporate service platforms such as Longyin Zhengwubao (政務寶), Longyin Xinfubao (薪福寶), the asset management platform, "Huilongyun" (惠隴雲) platform, and "Long e Hui" (隴e惠) applet, to provide corporate customers with distinctive services. We actively explored and practiced the construction of retail digital operation systems and carried out digital operation in branches. We successfully held the "Bank of Gansu Intelligent Innovation" product innovation competition, creating a strong atmosphere of innovation and efficiency across the Bank, and continuously optimized financial products and services. As of the end of 2024, 14 out of the 22 award-winning products were launched, and 5 products were being promoted, with a conversion rate of 63.64%. 43 information system construction projects were launched throughout the year, among which the mobile banking app for HarmonyOS was officially unveiled in Huawei AppGallery at the end of September, becoming one of the first banking applications adapted to Huawei HarmonyOS in China and the first in the province. We launched the intelligent anti-fraud transaction monitoring platform, which monitored 136 million transactions, automatically blocked 95,600 transactions, blocked an amount of RMB59,569,000, and enhanced the authentication of 4,234,100 transactions, effectively guarding the safety of customer funds. We accelerated the online transformation of office processes, actively implemented the requirement of "tighten the belt" and the deployment of "cost reduction and efficiency enhancement", and launched 21 online applications such as fund allocation and 41 comprehensive service management platforms, saving about 556 person-months of manpower and 98,000 sheets of paper. We launched "Xiao Gan Broadcast" and executive cockpit and other functions, allowing business departments to view the completion of key business indicators in one-stop, which effectively reduced manual reports and counting and increased the efficiency of data reporting by more than 60%. In 2024, the Bank of Gansu continued to improve its independent research and development capability, with key systems becoming independent, safe and controllable. The independently developed "Operational Risk Monitoring Platform Based on XGBoost Algorithm" won the "Financial Technology Application Innovation Award" in the 15th Financial Technology Innovation Award.

In 2024, Bank of Gansu strengthened the security system from multiple aspects such as business continuity, network security, operation and maintenance management of data security and emergency management, so as to ensure the safe and stable operation of the Bank's information system.

The Bank has also implemented safeguards to maintain the confidentiality, integrity and availability of information. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, desk site security, terminal data leakage prevention, intrusion prevention and detection, filing and evaluation of the classified protection of important information systems, key information infrastructure protection and information system security assessment. During the Reporting Period, the Bank did not suffer any material IT system failures.

Management Discussion and Analysis

RISK MANAGEMENT

(m) Risk management of the Bank

The Bank is primarily exposed to credit risk, market risk, operational risk and liquidity risk in its business. It is also exposed to other risks such as reputation risk, information technology risk, money-laundering risk and legal and compliance risks. The Bank summarises and evaluates the comprehensive risk management on a semi-annually basis to prepare a Comprehensive Risk Management Report, and reports the same to the Board. The Bank considers that the existing risk management and internal control systems are operating effectively.

Since its inception, the Bank has implemented comprehensive risk management strategies to enhance its risk management systems.

(i) Credit risk management

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risk exposures.

Taking into account the external environment, policy orientation, regional developments and the actual situation of the Bank, the industry investment direction is divided into four categories: aggressive growth, selective growth, presence sustaining and shrinking or exit, and different credit strategies are adopted.

Management Discussion and Analysis

Industries	Credit Strategies
Seed breeding and cultivation, wheat, corn, fruits, vegetables, potatoes, traditional Chinese medicine planting, cattle and sheep raising, advanced manufacturing industry, pharmaceutical manufacturing, new energy equipment manufacturing, railways, highways, airports, telecommunication, internet, hydropower generation, nuclear power generation, wind power generation, solar power generation, power supply, tap water production and supply, and other civil engineering construction in the field of railroads and other infrastructures, higher education, hospitals, software and information technology service industry, wastewater treatment and recycling, research and technology services, etc. (“ aggressive growth ” industries)	• priority will be given to customers in the industry who have technical advantages, established markets and great development potential.
Agriculture, forestry, animal husbandry and fishery, coal mining and washing, oil and gas exploration, precious metal mining and dressing, rare earth metal mining and dressing, upgrading of traditional manufacturing industries, thermal power generation, housing construction, other civil engineering construction, construction and installation, building decoration, wholesale, retail, transportation and warehousing of pharmaceuticals and medical equipment, postal services, accommodation and catering, real estate development and operation, tourist attraction management, scenic spot management, forest park management, non-higher education, etc. (“ selective growth ” industries)	• selectively support key areas of the industry and high-quality enterprises in the industry.
Ferrous metal mining and dressing, common non-ferrous metal mining and dressing, traditional manufacturing, wholesale and retail trade, business services, etc. (“ presence sustaining ” industries)	• objectively identify industry customers, prudently support with flexibility, and maintain the overall total amount unchanged under the premise of effective control of credit risk.
Coking, flat glass, ferro-alloy smelting, calcium carbide (“ shrinking or exit ” industries)	• require an effective decline in overall credit balance from the beginning of the year.

Management Discussion and Analysis

(ii) **Market risk management**

Market risk is the risk of loss in on- and off-balance sheets arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book.

(A) *Interest rate risk management*

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates. Its primary source of interest rate risk is the repricing of on- and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risk through its day-to-day lending and deposit-taking activities and its financial market operations.

The Bank places great emphasis on analyzing the general economic situation and policies, particularly the changes in currency policies. The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formulates and adjusts interest rates, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.

The Bank manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure its interest rate risk. For example, it regularly conducts sensitivity analysis and duration analysis on its bond business under different circumstances, to measure the potential effects on its profitability. Under unfavorable external conditions, it will also conduct special stress test analyses on the interest rate benchmark on loans and deposits. Based on such analyses, it may adjust their terms on repricing to control interest rate risk.

Management Discussion and Analysis

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

	As of December 31,			
	2024	2023	2024	2023
	Change in net profit	Changes in equity	Change in net profit	Changes in equity
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>			
Increase by 100 basis points	(268.8)	(7,144.7)	(182.9)	(2,390.5)
Decrease by 100 basis points	268.8	6,346.2	182.9	2,390.5

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

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

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

Management Discussion and Analysis

(B) *Exchange rate risk management*

The Bank is exposed to exchange rate risks primarily due to mismatches in the currency denominations of on- and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. It manages exchange rate risks by matching the sources and uses of funds on a case-by-case basis.

The Bank seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, it endeavors to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

(iii) **Operational risk management**

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, risk or implementation, settlement and procedure management failure relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Board of Directors is ultimately responsible for monitoring the effectiveness of the Bank's operational risk management. It determines the Bank's operational risk appetite based on its overall business strategies, and reviews and oversees the implementation of operational risk management strategies and policies.

The senior management of the Bank is responsible for coordinating operational risk management through its risk management and internal control committee.

The legal and compliance department of the Bank formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

The Bank has established a GRC system for managing internal control and operational risks. Through the system, it utilizes operational risk management tools to identify, measure and monitor operational risks.

Management Discussion and Analysis

(iv) Liquidity risk

Liquidity risk refers to the risk of failing to acquire sufficient funds at a reasonable cost and in a timely manner to pay the debts when due, fulfill other payment obligations and meet other funding requirements for normal business operations. Factors affecting the liquidity of the Bank include the term structure of its assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to its statutory deposit reserve ratio. The Bank is exposed to liquidity risks primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The organizational framework of our liquidity risk management of the Bank focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making body for the liquidity risk management, the Board of Directors assumes ultimate responsibility for the liquidity risk management of the Bank.

Senior management is responsible for liquidity management, and the assets and liabilities management committee is responsible for implementing liquidity management policies and procedures. The supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the daily liquidity risk management of the Bank.

The objective of the liquidity risk management of the Bank is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of its assets, liabilities and off-balance sheet businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (effective as from July 1, 2018) issued by the CBIRC, the Bank continually improves liquidity risk management, strictly implements regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans, and enhances liquidity risk management and stress tests.

The Bank manages liquidity risks with instruments such as position reporting and monitoring, cash flow analysis, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

Management Discussion and Analysis

The Bank's liquidity coverage ratio

	December 31, 2024	December 31, 2023
Liquidity coverage ratio (%)	190.88	157.69

The Bank's net stable funding ratio

	December 31, 2024	September 30, 2024
	<i>(Expressed in millions of RMB, unless otherwise stated)</i>	
Closing amount of available stable funds	294,976.2	303,464.1
Closing amount of required stable funds	223,804.8	216,891.5
Net stable funding ratio (%)	131.80	139.92

(v) Reputation risk management

Reputation risk refers to the risk of negative comments damaging the brand value, affecting normal operation and even market stability from relevant interested parties, the public and the media resulting from our management and operations, the conduct of its employees or external events such as complaints, penalties and cases. The general office of the Bank's headquarters is primarily responsible for reputation risk management, and the Board, the Board of Supervisors and the senior management bear the ultimate responsibility, supervision and management for reputation risk management.

(vi) Legal compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee is primarily responsible for the overall operational risk and internal control management of the Bank. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;

Management Discussion and Analysis

- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

(vii) IT risk management

IT risk refers to operational, reputational, legal and other risks arising from information technology applications due to natural factors, human factors, technical constraints, management defects and other factors. The IT risk management of the Bank aims to identify, measure, monitor and control IT risks through the development of effective systems.

The IT management committee supervises and guides IT activities of the Bank. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. The audit department audits IT risks. The IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

(viii) Anti-money laundering management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and the regulations of the PBOC.

The Board of Directors oversees bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the overall money-laundering risk profile, and adjusts anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;

Management Discussion and Analysis

- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures; and
- reporting to the Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back-end cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

(ix) Internal audits

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. It conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimizes internal control compliance and its corporate governance structure, in an effort to improve its operations. It adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department.

Management Discussion and Analysis

ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank is required to comply with the NAFR's capital adequacy ratio requirements. It has calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures for Commercial Banks (Trial).

The table below sets forth certain information relating to its capital adequacy ratio as of December 31, 2024 and 2023.

	December 31, 2024 <i>(Expressed in millions of RMB, unless otherwise stated)</i>	December 31, 2023
Net core tier-one capital	31,910.8	32,942.9
Net tier-one capital	31,914.6	32,946.5
Net capital base	31,922.3	34,401.2
Total risk-weighted assets	285,927.6	289,469.1
Core tier-one capital adequacy ratio (%)	11.16	11.38
Tier-one capital adequacy ratio (%)	11.16	11.38
Capital adequacy ratio (%)	11.16	11.38

Notes:

- (1) Primarily include computer software and intangible assets.
- (2) Primarily includes tier-one capital instruments such as preference shares and their premiums.

Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2024. All relevant sections of this report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRSs.

1. BUSINESS REVIEW

The Bank is the only provincial urban commercial bank in Gansu Province of China, and has established a comprehensive business network across Gansu Province. The Group is engaged in a range of banking services and related financial services. The information on business review of the Group for the year ended December 31, 2024 is set out in the section headed “Management Discussion and Analysis – Business Review” of this annual report.

2. RELATIONSHIP BETWEEN THE BANK AND ITS EMPLOYEES

The Bank has a young and highly educated team of employees. The Bank’s employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation. The Bank determines performance-based compensation based on the employee’s work performance and its financial results.

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. During the Reporting Period and as of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.

3. RELATIONSHIP BETWEEN THE BANK AND ITS CUSTOMERS

(I) Retail Customers

In respect of retail banking, the Bank offers its retail customers a wide range of financial products and services, including loans, deposits, debit card services and fee and commission-based products and services. The Bank categorizes retail customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above). As of December 31, 2024, the Bank had 369,600 wealthy customers and 3,065 private banking customers. This sizable retail customer base provides a stable source of deposits and opportunities to cross-sell and develop our retail business.

(II) Corporate Customers

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. The Bank’s corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises. In addition, the Bank commits to seeking to develop long-term relationships with customers by closely monitoring their financial needs and offering tailored financial solutions.

Report of the Board of Directors

4. PROFITS AND DIVIDEND

(I) Dividend Policy

The Board of Directors is responsible for submitting proposals for dividend payments to the Shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on the results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors deems relevant.

Under the PRC Company Law and our Articles of Association, all of the shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. Under PRC law, the Bank may only pay dividends out of profit after tax. Profit after tax for a given year represents net profit as determined under PRC GAAP or IFRSs or the accounting standards of the overseas jurisdiction where the shares are listed, whichever is lower, less:

- any of its accumulated losses in prior years;
- appropriations the Bank is required to make to the statutory surplus reserve, which is currently 10% of our net profit as determined under PRC GAAP, until such statutory surplus reserve in aggregate reaches an amount equal to 50% of our registered capital;
- a general reserve the Bank is required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders at a Shareholders' general meeting.

According to the relevant MOF regulations, before a financial institution makes any profit distribution, the balance of the Bank's statutory general reserve shall in principle not be lower than 1.5% of the balance of risk assets at the end of the period. As of December 31, 2024, the Bank set aside RMB410.5 million as general reserves, in line with relevant regulations.

Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. The Bank generally does not distribute dividends in a year in which the Bank does not have any distributable profit. The payment of any dividend by the Bank must also be approved at a Shareholders' general meeting.

The Bank is not allowed to distribute profits to the Shareholders until the Bank has made up our losses and made appropriations to the Bank's statutory surplus reserve and general reserves. The Shareholders are required to return any profit distributed in violation of the relevant rules and regulations.

The NAFR has discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements, or has violated any other PRC banking regulations, from paying dividends and making other forms of distributions. As of December 31, 2024, the Bank had a capital adequacy ratio of 11.16%, a tier-one capital adequacy ratio of 11.16% and a core tier-one capital adequacy ratio of 11.16%, all of which comply with the relevant NAFR requirements.

Report of the Board of Directors

(II) Final dividend for 2023

At the meeting of the Board of Directors of the Bank convened on March 27, 2024, to lay a solid foundation for the Bank's development, and after taking into account the need for future growth in a long run as well as other factors, the Board of Directors recommended no distribution of any 2023 final dividend.

The proposals were considered and approved at the 2023 annual general meeting convened on June 27, 2024.

(III) Profit and profit distribution plan for 2024

The Group's revenue for the year ended December 31, 2024 and the Group's financial position as of the same date are set out in the consolidated financial statements of this annual report.

To lay a solid foundation for the Bank's development, and taking into account the need for future growth in a long run as well as other factors, at the Board meeting of the Bank convened on March 28, 2025, the Board recommended no distribution of any 2024 final dividend.

5. CHANGES IN THE RESERVES

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2024 are set out in "Consolidated Statement of Changes in Equity" of this annual report. The distributable profit reserves as of December 31, 2024 were RMB4,910.7 million.

6. SUMMARY OF FINANCIAL INFORMATION

The summary of the operating results for the year ended December 31, 2024 and assets and liabilities as of December 31, 2024 of the Group is set out in the section headed "Financial Highlights" of this annual report.

7. DONATIONS

For the year ended December 31, 2024, the Group made charity and other donation of RMB1,733,995.00 in aggregate.

8. PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Group for the year ended December 31, 2024 are set out in note 27 to the consolidated financial statements of this annual report.

Report of the Board of Directors

9. RETIREMENT BENEFITS

The Group offers two non-contributory defined benefit retirement benefit plans, including:

(i) Supplemental retirement benefits

The Group pays supplemental retirement benefits for employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for employees at the end of the reporting year. As at December 31, 2024, the present value of the obligations under the supplemental retirement benefits was RMB16.3 million. The Group's obligations in respect of the supplemental retirement benefits were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America), with December 31, 2024 as the assessment date. The adopted actuarial assumption of the actuarial assessment result is set out in the Table 1 below:

Point of time	December 31, 2024
Discount rate – benefits after resignation	2.00%
Discount rate – benefits after layoff	1.25%
Annual resignation rate	2.00%
Death rate	China Life Tables (2010 to 2013) Pension business for male/female
Annual growth rate of large supplemented amount for medical insurance contributions after official retirement of existing retired personnel, existing internal retired personnel and entitled incumbent staff members	6.00%
Annual growth rate of basic medical insurance contributions after official retirement of existing retired personnel, existing internal retired personnel and entitled incumbent staff members	6.00%

(ii) Other long-term staff welfare payable:

The Group pays compensation for termination benefits of employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for employees at the end of the reporting year. As at December 31, 2024, the present value of other long-term staff welfare payable was RMB1.1 million. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America), with December 31, 2024 as the assessment date. The main assumption is stated as the above table.

Further details regarding the retirement benefits provided by the Group to employees are set out in note 37 to the consolidated financial statements of this annual report.

Report of the Board of Directors

10. SUBSTANTIAL SHAREHOLDERS

Details of the substantial Shareholders as of December 31, 2024 are set out in the section headed “Changes in Share Capital and Particulars of Shareholders – II. Particulars of Shareholders – (II) Interests and Short Positions of Substantial Shareholders and Other Persons” of this annual report.

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

During the Reporting Period, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank’s listed securities (including the sale of treasury shares). As of the end of the Reporting Period, the Bank did not hold treasury shares.

12. PRE-EMPTIVE RIGHTS

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

13. MAJOR CUSTOMERS

As of December 31, 2024, the Group’s five largest depositors and five largest borrowers accounted for less than 10% and 10% of the respective total deposits from customers and total loans and advances to customers.

None of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Bank’s issued share capital) has any interests in the Group’s five largest borrowers or depositors.

14. SHARE CAPITAL

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

15. DIRECTORS AND SUPERVISORS OF THE BANK

As of the date of this annual report, the Board of Directors includes:

Executive Director:	Mr. Liu Qing, Mr. Wang Xizhen
Non-executive Directors:	Mr. Zhang Junping, Ms. Zhang Tingting, Mr. Ye Rong, Mr. Zhang Youda, Mr. Guo Jirong, Ms. Yang Chunmei
Independent non-executive Directors:	Mr. Dong Ximiao, Mr. Wang Tingting, Mr. Liu Guanghua, Mr. Wang Lei, Mr. Hau Pak Sun

Details of the Directors, Supervisors and senior management members of the Bank are set out in the section headed “Directors, Supervisors, Senior Management, Employees and Organizations” of this annual report.

Report of the Board of Directors

16. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2024, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares of the Bank (%)	Percentage of the Total Share Capital of the Bank (%)
Mr. Liu Qing	Chairman, Executive Director	Domestic Shares	Beneficial owner	301,714 (L) ⁽¹⁾	0.003	0.002
Mr. Wang Xiaopei	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000 (L) ⁽¹⁾	0.002	0.001
Mr. Liu Peixun	Employee Representative Supervisor	Domestic Shares	Beneficial owner	200,000 (L) ⁽¹⁾	0.002	0.001

Note:

(1) L represents long position.

Save as disclosed above, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations as at December 31, 2024.

17. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors (including their spouses and children under the age of eighteen) of the Bank to acquire benefits by means of the acquisition of Shares in, or debentures of, the Bank or any other body corporate.

18. INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND SERVICE CONTRACTS

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

19. MANAGEMENT CONTRACT

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

Report of the Board of Directors

20. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESSES

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

21. CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. Details of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report. During the Reporting Period, the Bank has complied with the code provisions contained in Part 2 of the Corporate Governance Code and, where appropriate, has adopted the recommended best practices contained therein.

22. CONNECTED TRANSACTIONS

The continuing connected transactions of the Bank during the Reporting Period are set forth below:

Exempt Continuing Connected Transactions

(I) **Commercial banking services and products provided in the ordinary and usual course of business**

The Bank is a commercial bank incorporated in the PRC under the supervision of the NAFR and the PBOC. It provides commercial banking services and products in the ordinary and usual course of business to the public in China, including the Bank's connected persons (such as the Directors, the Supervisors and/or their respective associates). Details of the connected transactions between the Bank and its connected persons are set out below. These transactions are entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

(1) *Extending loans and other credit facilities to connected persons*

The Bank provides loans and other credit facilities to certain connected persons of the Bank in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market rates (including providing loans indirectly to connected persons of the Bank through trust schemes or asset management schemes established by third parties).

The above loans and other credit facilities provided by the Bank to the connected persons are entered into in the ordinary and usual course of business on normal commercial terms and with reference to prevailing market interest rates. Accordingly, pursuant to Rule 14A.87(1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance provided by the Bank to connected persons in the ordinary and usual course of business on normal commercial terms), and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Report of the Board of Directors

(2) *Taking deposits from connected persons*

The Bank takes deposits from certain connected persons in the ordinary and usual course of business with normal deposit interest rates and on normal commercial terms.

The deposits are placed by the Bank's connected persons with the Bank on normal commercial terms, with reference to prevailing market rates. Accordingly, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions (i.e. financial assistance received by the Bank from connected persons which are made by connected persons on normal commercial terms, and are not secured by the Bank's assets) and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) *Other banking services and products*

The Bank provides various commercial banking services and products (such as bank acceptance bills and debit card services) to certain connected persons in the ordinary and usual course of business on normal commercial terms and conditions at normal fee standards.

These continuing connected transactions are the provision of various commercial banking services and products to the Bank's connected persons in the ordinary and usual course of business on normal commercial terms similar to or no more favorable than those offered to independent third parties and are expected to constitute de minimis transactions under Chapter 14A of the Hong Kong Listing Rules. Accordingly, pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules, these transactions constitute fully exempt continuing connected transactions and are therefore fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(II) **Property leasing agreements with connected persons**

The Bank entered into a property leasing agreement on July 1, 2023 with JISCO Zhongtian Property Co., Ltd. (酒鋼集團中天置業有限公司) (an associate of Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, "Zhongtian Property"). Zhongtian Property leased a property located in Xiongguan District, Jiayuguan, Gansu Province to the Bank as the Bank's business office, with a leasing term from July 1, 2023 to June 30, 2024. The Bank renewed the property leasing agreement on July 1, 2024 with Zhongtian Property, with a leasing term from July 1, 2024 to June 30, 2025. Pursuant to these two leasing agreements ("Zhongtian Leasing Agreements"), the Bank has paid the rental in an aggregate amount of RMB564,000 to Zhongtian Property during the Reporting Period. The transaction was conducted on normal commercial terms.

Report of the Board of Directors

The Bank entered into a property leasing agreement on August 1, 2023 with Gansu HAT Asset Management Co., Ltd. (甘肅公航旅資產管理有限公司) (an associate of Gansu Highway Aviation Tourism, a substantial Shareholder of the Bank, “HAT Asset Management”). HAT Asset Management leased a shop located in Xifeng District, Qingyang City, Gansu Province to the Bank as the Bank’s business office, with a leasing term from August 1, 2023 to July 31, 2024. The Bank renewed the property leasing agreement on November 25, 2024 with HAT Asset Management, with a leasing term from August 1, 2024 to July 31, 2025. Pursuant to these two agreements (“HAT Leasing Agreements”), the Bank has paid the rental in an aggregate amount of RMB447,800 to HAT Asset Management during the Reporting Period. The transaction was conducted on normal commercial terms.

Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, holds 31.58% equity interest in Jiuquan Iron & Steel, while Zhongtian Property is a subsidiary of Jiuquan Iron & Steel. Zhongtian Property is therefore a connected person of the Bank. Gansu Highway Aviation Tourism, a substantial Shareholder of the Bank, holds 18.3% equity interest in the Bank, while HAT Asset Management is a subsidiary of Gansu Highway Aviation Tourism. HAT Asset Management is therefore a connected person of the Bank. As the highest applicable percentage ratios of the transactions under the Zhongtian Leasing Agreements and the HAT Leasing Agreements calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are both, on an annual basis, less than 0.1%, the continuing connected transactions under the Zhongtian Leasing Agreements and the HAT Leasing Agreements constitute de minimis transactions, and are therefore exempt from all the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

(III) Property management agreement with a connected person

The Bank entered into a property management entrustment contract with Lanzhou Changhong Property Management Co., Ltd. (蘭州長虹物業管理有限公司) (an associate of Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, “Changhong Property”). Pursuant to this agreement, Changhong Property agreed to provide property management services to the Bank for the Bank of Gansu Tower situated at Chengguan District of Lanzhou, Gansu Province, with a term from January 1, 2024 to December 31, 2024 and at a total annual fee of RMB4,870,000. The transaction is conducted on normal commercial terms.

Gansu State-owned Assets Investment, a substantial Shareholder of the Bank, holds 31.58% equity interest in Jiuquan Iron & Steel, which holds 100% equity interest in JISCO Lanzhou Judong Real Estate Development Co., Ltd. JISCO Lanzhou Judong Real Estate Development Co., Ltd. holds 100% equity interest in Changhong Property. Therefore, Changhong Property is a connected person of the Bank. As the highest applicable percentage ratios of the above transaction calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transaction under the above property management services agreement constitutes de minimis transaction, and is therefore exempt from all the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

Report of the Board of Directors

Non-exempt Connected Transactions

(IV) **Creditor's Rights Assets Transfer**

In order to relieve the existing pressure of non-performing assets undertaken by the Bank, the Bank disposed of a number of non-performing assets by way of public bidding, with Gansu Assets Management Co., Ltd. ("Gansu Assets Management") as the winner of the public bidding for each of the non-performing assets.

On June 27, 2024, the Bank and Gansu Assets Management entered into an Assets Transfer Agreement, pursuant to which the Bank agreed to transfer the creditor's rights assets with a total principal balance and interest of approximately RMB329.64 million to Gansu Assets Management for a total consideration of RMB52.61 million (the "First Creditor's Rights Assets Transfer"). Further details of the transaction can be found in the announcement issued by the Bank on June 27, 2024.

On December 13, 2024, the Bank and Gansu Assets Management entered into an Assets Transfer Agreement, pursuant to which the Bank agreed to transfer the creditor's rights assets with a total principal balance and interest of approximately RMB56.4472 million to Gansu Assets Management for a total consideration of RMB10.50 million (the "Second Creditor's Rights Assets Transfer"). Further details of the transaction can be found in the announcement issued by the Bank on December 13, 2024.

On December 27, 2024, the Bank and Gansu Assets Management entered into an Assets Transfer Agreement, pursuant to which the Bank agreed to transfer the creditor's rights assets with a total principal balance and interest of approximately RMB652.5989 million to Gansu Assets Management for a total consideration of RMB115.00 million (the "Third Creditor's Rights Assets Transfer"). Further details of the transaction can be found in the announcement issued by the Bank on December 27, 2024.

Gansu State-owned Assets Investment is a substantial shareholder of the Bank and Gansu Assets Management is a subsidiary of Gansu State-owned Assets Investment, and thus a connected person of the Bank. The First Creditor's Rights Assets Transfer, the Second Creditor's Rights Assets Transfer and the Third Creditor's Rights Assets Transfer all constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in respect of the First Creditor's Rights Assets Transfer, the Second Creditor's Rights Assets Transfer and the Third Creditor's Rights Assets Transfer (calculated separately, or on an aggregate basis) exceed 0.1% but all percentage ratios are less than 5%, the First Creditor's Rights Assets Transfer, the Second Creditor's Rights Assets Transfer and the Third Creditor's Rights Assets Transfer are all subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempt from relevant circular (including independent financial advice) and independent shareholders' approval requirements.

Report of the Board of Directors

Related Party Transactions Referred to in the Consolidated Financial Statements and Connected Transactions under the Hong Kong Listing Rules

Save as disclosed above, there is no related party transaction or continuing related party transaction referred to in note 46 to the consolidated financial statements that falls into the category of connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The Bank has complied with the requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transactions and continuing connected transactions of the Bank.

23. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

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

The remuneration provided by the Bank for its executive Directors, employee Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities. The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management members and offers remuneration to them based on the results of the assessment.

Please refer to note 12 to the consolidated financial statements in this annual report for the details of the remuneration of the Directors, Supervisors and senior management members.

Report of the Board of Directors

24. PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, as of the Latest Practicable Date, the number of H Shares in public hands represents approximately 25.17% of the total issued share capital of the Bank, which satisfies the minimum public float requirement under Rule 8.08(1) of the Hong Kong Listing Rules.

25. TAX RELIEF

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

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

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

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

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告 2015 年第 60 號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H Share register ("Individual H Shareholder(s)") in the distribution of final dividend for 2024. However, Individual H Shareholders are entitled to the relevant favorable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;

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

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank.

26. AUDITORS

The Bank engaged Shinewing Certified Public Accountants LLP as its domestic auditor and SHINEWING (HK) CPA Limited as its international auditor, and there was no change in the Bank's auditors over the past three years.

Shinewing Certified Public Accountants LLP was engaged by the Bank as the auditor for the financial statements of the Bank prepared under the PRC GAAP for 2024. SHINEWING (HK) CPA Limited was engaged by the Bank as the auditor for financial statements of the Bank prepared under the IFRSs for 2024. Please also refer to the section headed "Corporate Governance Report – 2. Corporate Governance – (IX) External Auditors and Remuneration of Auditors" of this annual report for the information on the auditors' remuneration.

27. PERMITTED INDEMNITY PROVISION

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

Report of the Board of Directors

28. MAJOR RISKS AND UNCERTAINTIES

Major risks faced by the Group include credit risk, residual risk, banking market risk, operational risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching operating means and improving technologies, the Group has effectively enhanced its risk management capability. Please refer to the sections headed “Management Discussion and Analysis – Risk Management” and “Risk Management, Internal Control and Internal Audit” in this annual report.

29. FUTURE DEVELOPMENT OF BUSINESS

Please refer to the sections headed “Management Discussion and Analysis – Environment and Prospect” and “Management Discussion and Analysis – Development Strategy” of this annual report for further details.

30. KEY FINANCIAL PERFORMANCE INDICATORS

As of December 31, 2024, according to the financial data prepared under the IFRSs, the total assets of the Group amounted to RMB414,707.6 million, representing a year-on-year increase of 6.7%; total loans and advances to customers (including interest accrued) amounted to RMB231,414.3 million, representing a year-on-year increase of 3.8%; the non-performing loan ratio was 1.93%, representing a year-on-year decrease of 0.07%; total deposits from customers (including interest accrued) amounted to RMB321,379.3 million, representing a year-on-year increase of 8.7%; the operating income of the Group amounted to RMB5,953.9 million, representing a year-on-year decrease of 10.7%; and the net profit of the Group amounted to RMB584.7 million, representing a year-on-year decrease of 9.6%. As of December 31, 2024, the Group’s capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 11.16%, 11.16% and 11.16%, respectively.

31. ENVIRONMENTAL PROTECTION POLICY AND IMPLEMENTATION

The Group places great emphasis on its own environmental and social performance by integrating the banking operation and management with social responsibilities, actively supporting green industries and environmental protection. In May 2017, we issued the first “green” financial bonds in Gansu, which totaled RMB1,000 million in the national interbank bond market. The proceeds of these bonds will be used to promote the development of the green industry projects. In addition, we established our Green Finance Department in June 2017, which focuses on “green finance”. In line with national policies to save energy costs, the Bank has implemented a series of measures, including: (i) regulating office room temperature; (ii) strengthening management of usage of the Bank’s business vehicles and encouraging the use of public transport for long-distance business trips; and (iii) encouraging the turning off of lights and electronic appliances after work.

32. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2024, the Bank has complied with the provisions set forth in the Environmental, Social and Governance Reporting Code as set out in Appendix C2 of the Listing Rules. For details, please refer to the 2024 Environmental, Social and Governance Report of Bank of Gansu Co., Ltd. to be published by the Bank.

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For details of the governance of the Bank, please refer to the section headed “Corporate Governance Report” of this annual report. The Bank continuously refined its internal control and management system to make the internal control system more comprehensive, practicable and efficient. The rules and systems of the Bank were further improved to ensure that the departments of the Bank could duly discharge their respective duties and responsibilities.

33. COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. As of December 31, 2024, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

(1) Legal and compliance risk management of the Bank

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

Our risk management and internal control committee is primarily responsible for the overall risk and internal control management of the Bank’s business operations. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank’s operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and related party transactions to control related party transactions in advance;

Report of the Board of Directors

- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

(2) Anti-money laundering management of the Bank

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations of the PBOC.

The Board of Directors oversees our bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and our overall money-laundering risk profile, and adjusts our anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches. The anti-money laundering leadership group at its head office leads and coordinates our bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures for anti-money laundering; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back-end cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through our anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

Report of the Board of Directors

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

34. BUSINESS QUALIFICATIONS

During the Reporting Period and as of the date of this annual report, the Bank and its sole subsidiary Jingning Chengji Rural Bank have obtained necessary business qualifications required for their business operations.

35. LEGAL PROCEEDINGS

The Bank and its sole subsidiary Jingning Chengji Rural Bank are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, neither the Bank nor its subsidiary was involved in any material pending lawsuits as a defendant.

During the Reporting Period and up to the Latest Practicable Date, none of the Bank's Directors, Supervisors, or senior management was involved in any material litigation or arbitration, nor had any of them been subject to any administrative penalty.

36. ISSUANCE OF BONDS

For the year ended December 31, 2024, the Bank has issued bonds during the Reporting Period to supplement its capital, the details of which are set out as follows:

Interbank certificates

For the year ended December 31, 2024, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB37,200.0 million. The interbank certificates have terms of three months to one year and bear effective interest rates between 1.99% and 2.55% per annum.

Financial bonds

At the meeting of the Board of Directors convened on August 27, 2021, the Board of Directors advised the Bank to issue financial bonds to the public in an aggregate amount of no more than RMB10 billion (inclusive). The proposals were considered and approved at the 2021 annual general meeting convened on June 24, 2022 and the authorizing resolution shall be valid for 24 months from the date of approval of the issuance of the non-capital financial bonds by the People's Bank of China and other relevant regulatory authorities (if any).

As of the Latest Practicable Date, the Bank has not yet issued bonds pursuant to the above authorization. The Bank will promptly disclose the progress of the issuance of financial bonds to the Bank's shareholders and potential investors in accordance with applicable laws and regulations and the Hong Kong Listing Rules.

Report of the Board of Directors

37. EQUITY-LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into any equity-linked agreement.

38. REVIEW OF ANNUAL RESULTS

Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRSs, respectively, and issued standard unqualified auditors' reports. The Board of Directors and the Audit Committee of the Bank have reviewed the results, the financial data, the annual report and the annual result announcement of the Bank for the year ended December 31, 2024 and recommended the Board of Directors to approve these documents.

39. BUSINESS ACTIVITIES INVOLVING SANCTIONED COUNTRIES OR REGIONS

The United States has imposed sanctions against Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic (the "Sanctioned Country(ies) or Region(s)") as well as individual persons and entities on lists of designated parties. To varying extents, the European Union, Australia, and the U.N. also maintain certain sanctions.

The Bank does not engage, and has not in the past five years engaged, in a transaction or dealing, directly or indirectly, involving a Sanctioned Country other than Iran. The Bank's Iran-related transactions and dealings have been limited to the provision of RMB and Euro ("EUR") settlement services to PRC merchants that the Bank believes sell daily necessities and commercial electronic devices to Iranian companies (the "Iran-related Business"). The Bank has called a complete halt to our Iran-related Business since October 23, 2018 and frozen the money in all Irani banks' settlement accounts with the Bank and would cut off all communications with them until such sanctions are lifted.

When the Bank applied to the Hong Kong Stock Exchange for the listing of the H Shares issued by the Bank on the Hong Kong Stock Exchange, the Bank made the following undertakings to the Hong Kong Stock Exchange:

- The Bank will not knowingly use the proceeds from the global offering or any other funds raised through the Hong Kong Stock Exchange to finance or facilitate, directly or indirectly, sanction projects or businesses in the Sanctioned Countries or Regions;
- The Bank will disclose on the Hong Kong Stock Exchange's website and on the Bank's own website if our transactions or dealings in Sanctioned Countries or Regions put the Bank or the Bank's Shareholders or potential investors at risk of being sanctioned; and
- The Bank will disclose in our annual reports/interim reports our efforts on monitoring sanctions risk exposure, the status of any future business in the Sanctioned Countries, and our business intentions relating to the Sanctioned Countries or Regions.

Report of the Board of Directors

The Bank has adopted the following internal control measures to identify, monitor, and manage our exposure to sanctions risk and to comply with our undertakings to the Hong Kong Stock Exchange:

- The Bank conducts sanctions-related screening in connection with our international transactions, including screening against the SDN List and the Sectoral Sanctions Identifications List and the E.U. Consolidated List of Financial Sanctions Targets;
- The Bank provides training on sanctions laws to all business personnel of the Bank;
- The Bank will seek appropriate advice from external legal advisers upon identifying any material sanctions risk in our operations; and
- The Bank will closely monitor the use of the proceeds from the global offering and other funds raised through the Hong Kong Stock Exchange to help ensure the proceeds and other funds will not be used for or applied to any sanctioned business. The Bank has deposited these proceeds and funds in a separate bank account.

The Bank expects that it will not engage in the future in a transaction or dealing, directly or indirectly, involving a sanctioned country or region other than Iran. As disclosed above, the Bank's Iran-related Business has come to a complete halt since October 23, 2018 and would not be resumed until the new round of sanctions against Iran by the U.S. government are lifted. The Bank expects that the Bank's Iran-related transactions and dealings will also be limited to the provision of RMB and EUR settlement services to PRC merchants that the Bank believes have business dealings with Iranian companies even if such sanctions are removed. The Bank will not take the initiative to enlarge the scale of the Bank's Iran-related transactions unless required by national macro policies or strategies, to ensure these transactions account for one percent or less of our total operating income.

The Bank considers various factors when determining whether to engage in transactions involving Sanctioned Countries, including:

- The scale of the transactions as a percentage of our total operating income;
- Involvement of any persons or entities on lists of designated parties maintained by the sanctions enforcement agencies;
- Involvement of any industries or sectors that are subject to sanctions; and
- Legal and reputational risks.

Report of the Board of Directors

40. MISCELLANEOUS

- (a) As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (b) As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (c) During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.
- (d) The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.
- (e) The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.
- (f) Save for those disclosed in this annual report, there were no other material investments held by the Bank, nor were there other material investments or additions of capital asset plan approved by the Board of Directors during the Reporting Period and up to the Latest Practicable Date.
- (g) There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period and up to the Latest Practicable Date.

By Order of the Board
Liu Qing
Chairman

Work Report of the Board of Supervisors

In 2024, the Board of Supervisors adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, dove into and implemented the spirit of the 20th National Congress of CPC, the 2nd and 3rd Plenary Sessions of the 20th CPC Central Committee, the spirit of the General Secretary Xi Jinping's important speeches and instructions during his inspection of Gansu, insisting on "21-character" general work requirements, coordination and emphasis, and supervised and inspected the Bank's risk management, internal control, financial activities, performance of duties by the Board of Directors and senior management as well as other aspects in accordance with laws and regulations, and successfully completed the work for the year.

I. IMPLEMENTATION OF MAIN WORK

During the Reporting Period, the Board of Supervisors, the supervisory committee and the nomination committee held 25 meetings in total, at which 73 supervision matters and informative reports were considered, covering inspection and supervision plans and reports, evaluation on duty performance of Directors and Supervisors, and financial budgets and final accounts and other aspects. Some Supervisors participated in one general meeting, and attended 4 Board meetings, 12 meetings of the president's office, focusing on supervising the legality and compliance of resolutions and meeting procedures.

(I) Regularly conduct daily supervision and effectively perform supervisory duties

The Board of Supervisors has always focused on ensuring the standardized and effective operation of the corporate governance structure, and regularly organized meetings of the Board of Supervisors. Supervisors got information of the operation and management of the Bank comprehensively by participating in and attending various meetings, and the Board of Supervisors gave full play to their supervisory role in the implementation of development strategies, business decisions, appointment and dismissal of important personnel, standardized business practice, risk prevention and control, and strengthening internal audit supervision. The Board of Supervisors provided timely feedback of their opinions and suggestions on proposals to the Board of Directors and the senior management, implemented supervision opinions effectively and enhanced supervision of the decision-making process for major issues, so as to improve the quality and efficiency of supervision. It prepared ordinary supervision special reports on issues mentioned in the "2023 Work Report of the Board of Supervisors", "2023 Report of the Board of Supervisors on the Evaluation of Duty Performance by the Board of Directors, the Board of Supervisors, the Senior Management and Their Members", "2023 Work Report of the Board of Directors" and "2023 Work Report of Senior Management" successively, provided with feedback on supervision opinions in the form of business contact letters, supervision reminder letters, and continuously supervised the rectification of the issues, which had a positive impacts on the standardization of the Bank's business.



Work Report of the Board of Supervisors

(II) Highlight key points of supervision and continuously enhance ad-hoc supervision

The Board of Supervisors continued to focus the limited supervision resources on significant matters, so as to perform the duties of supervision and inspection firmly and effectively, continuously enhanced the efforts and effect of ad-hoc supervision activities, as well as effectively improved the accuracy and effectiveness of supervision. In light of the Bank's actual operation condition and work plan for 2024, and pursuant to the relevant requirements under the "Guidelines on Data Governance for Banking Institutions" issued by the former CBIRC and "Data Governance Measures of Bank of Gansu", the Board of Supervisors further organized and carried out one ad-hoc supervision activity which focused on data governance. It focused on the supervision and inspection of the implementation of data governance, measures adopted, the existing problems and deficiencies in 2024, and the next-step work plans, and then prepared the supervision report and provided advice and suggestions for improvements, which facilitated the steady improvement of the data quality. In addition, pursuant to the work requirements of the Board of Supervisors in the "Guiding Opinions on Strengthening the Construction of the Working System and Mechanism for Consumer Rights Protection of Banking and Insurance Institutions" issued by the CBIRC, the Board of Supervisors organized and carried out ad-hoc supervision and inspection on consumer rights protection work in 2024 and performance of duties by the Board of Directors and senior management in consumer rights protection in 2024. In particular, it reviewed relevant reports on consumer rights protection work, system and mechanism construction, risk identification, complaint handling, problem rectification, learning and training, publicity and education, pointed out existing problems, prepared the supervision report, and provided advice and suggestions for improvements.

(III) Clarify supervision objectives and continuously improve performance evaluation

By continuously innovating supervision concepts and consistently improving supervision methods, the supervision focus and objectives of the Board of Supervisors have become more targeted and effective, effectively advancing the goal of enhancing supervisory efficiency. Pursuant to the requirements and regulations in the Work Guidelines for the Board of Supervisors of Commercial Banks, the Articles of Association of Bank of Gansu Co., Ltd., the Evaluation Measures of the Board of Supervisors of Bank of Gansu Co., Ltd. on the Duty Performance of Directors (provisional), the Evaluation Measures of the Board of Supervisors of Bank of Gansu Co., Ltd. on the Duty Performance of Supervisors (provisional), and the Evaluation Measures of the Board of Supervisors of Bank of Gansu Co., Ltd. on the Duty Performance of Senior Management and its Members (provisional), the Board of Supervisors timely understood and supervised the duty performance of Directors and senior management through various methods including attending Board meetings and senior management meetings, arranging personnel from the Office of the Board of Supervisors to review relevant meeting minutes and materials and making records about duty performance of Directors and senior management, in a bid to make sure the objectivity of duty performance evaluation of the Board of Directors, the Board of Supervisors, senior management and their members for 2024.

Work Report of the Board of Supervisors

(IV) Promote internal development and comprehensively consolidate the foundation of supervision

The ability of Supervisors to perform their duties, the operation mechanism of the Board of Supervisors and the relevant regulations and systems laid down the foundation and guarantee for the efficient operation of the Board of Supervisors. In order to further reinforce the supervision foundation, the Board of Supervisors continued to enhance training for Supervisors based on the training plan formulated at the beginning of the year, so as to improve the overall duty performance ability of their members. The focus of learning and training included the contents, dimensions, highlights, systems, procedures and methods of evaluation on Directors and Supervisors, as well as the application and management of corporate governance and financial development. Supervisors were provided training for deep study of the Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial), special training about policy interpretation and economic and financial analysis of the National People's Congress and the Chinese People's Political Consultative Conference, special training about expected credit loss method, lectures on banking corporate governance, and public welfare lectures about anti-money laundering, etc. By attending such training, Supervisors obtained comprehensive knowledge about corporate governance related requirements of commercial banks, and characteristics, requirements, scope, key points and methods regarding duty performance of Supervisors, so as to enhance their understanding of knowledge about corporate governance of commercial banks, operation of the Board of Supervisors, supervisory system as well as the main duties and position of the Board of Supervisors, thereby effectively exerting the supervisory function of supervisors and improving the efficiency and quality of supervision continuously.

Work Report of the Board of Supervisors

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

(I) Operation in compliance with laws

During the Reporting Period, the operation activities of the Bank conform to the provisions of the PRC Company Law, the Commercial Bank Law and the Articles of Association, and the decision-making procedure was legal and effective; and no violation of the laws and regulations, the Articles of Association or no damage to the interests of the Bank and shareholders have been found when the Directors and senior management of the Bank performed their duties.

(II) Truthfulness of financial reports

During the Reporting Period, the financial reports have been audited by Shinewing Certified Public Accountants with standard unqualified audit report issued. The financial reports fairly reflected the financial conditions and operating results of the Bank.

(III) Related party transactions

During the Reporting Period, the Bank further standardized the management of related party transactions, and the Board of Supervisors found no acts violating the principle of fairness or damaging the interests of the Bank and the Shareholders.

(IV) Internal control

During the Reporting Period, the Bank continued to strengthen and improve the internal control system, and no major defects in the internal control system and implementation of the Bank were found by the Board of Supervisors.

(V) Implementing resolutions of the Shareholders' general meeting by the Board

During the Reporting Period, the Board of Supervisors had no disagreement with any reports and proposals submitted by the Board to the Shareholders' general meeting for consideration, and was of the view that the Board diligently implemented relevant resolutions passed at the Shareholders' general meetings.

(VI) Fulfillment of Social Responsibilities

During the Reporting Period, the Bank earnestly performed its social responsibilities. The Board of Supervisors had no disagreement upon the 2024 Environmental, Social and Governance Report.

Work Report of the Board of Supervisors

III. DEFICIENCIES

In 2024, although some achievements have been made by the Board of Supervisors of the Bank in the work, there are still some shortcomings which are mainly reflected in the following aspects: First, the daily communication between the Board of Supervisors and the Board and senior management needs to be further strengthened. Second, the methods adopted in duty performance evaluation on the Board, the Board of Supervisors and senior management need to be further improved. Third, the means of the Board of Supervisors' supervision need to be improved. Fourth, the Supervisors' own knowledge about policies and financial sector, and supervision ability need to be further improved and optimized.

IV. WORK PRIORITIES FOR 2025

In 2025, the Board of Supervisors will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th National Congress of the CPC and the 2nd and 3rd Plenary Sessions of the 20th CPC Central Committee and the important speeches and instructions of General Secretary Xi Jinping during his inspection of Gansu, further implement the spirit of the Central Economic Work Conference and the Central Financial Work Conference while closely following the arrangements of the Party Committee of the Head Office. Based on the PRC Company Law, relevant laws and regulations, the Articles of Association, the Board of Supervisors will continuously innovate its working mechanism and mode, and carry out its work by focusing on supervision of duty performance, financial supervision and supervision of internal control and risk. In addition, the Board of Supervisors will perform its duties in accordance with laws and regulations to actively collect, collate, analyze and provide various opinions and suggestions which provide reference and basis for the management's decision-making, so as to promote the achievement of each development strategic goal, and promote the Bank's sustainable, stable and healthy development.

(I) Strictly implement policies and do a good job in various tasks during the transition period

In accordance with the PRC Company Law and the Notice on Matters Concerning the Alignment of Corporate Governance Supervision Regulations with the Company Law, we will actively cooperate in various tasks such as the abolition of the Board of Supervisors, the retirement of Supervisors, the transfer of work responsibilities and the systematization of supervisory materials to ensure its continuity and coordination, which will actively promote the optimization of the corporate governance structure.

(II) Innovate means and methods to enhance the duty performance level of the Board of Supervisors

The Board of Supervisors will continue to strengthen the capacity building of duty performance which aims to improve the overall duty performance effect. First, the Board of Supervisors will innovate the supervision methods and rectify the Supervisors' duty performance problems discovered in the inspection and communication in multiple forms to perform its supervision duties properly and enhance the supervision effect practically. Second, the Board of Supervisors will standardize the supervision process, and refine the working methods, inspection methods and supervision objectives from the beginning of standardizing the supervision procedures. Furthermore, channels and methods of collection, study and feedback of related supervision information will be established and improved, with aims to improve the pertinence and effectiveness of supervision advice and enhance the quality and efficiency of supervision.



Work Report of the Board of Supervisors

(III) Proactively conduct pre-supervision, to safeguard the development of the business

First, the supervision strategies will be proactively adjusted to prioritize the supervision at the beginning of execution of business. And dynamic, whole-process supervision will be conducted over the decision-making process, decision implementation process and asset operation of the Board and management, so as to provide support for the operational risk control by giving early and proactive warning and revealing the risks and problems early. The second is to keep communication channels open. The Board of Supervisors will strengthen the normal contact with all other departments and keep close contact in normal work with departments of financial, risk and compliance through the establishment of contact meetings and proactive visit, so as to achieve the overall linkage, and timely and widely collect the improvement opinions of employees at different levels on the problems in the bank-wide operation and management, which can provide first-hand information for operation decision-making and continuously improve the timeliness and sensitivity of supervision. Third, the Board of Supervisors will improve regular research mechanism and carry out research activities consistently regarding the difficulties, blocking points, hot spots in the operation and development of the Bank. It will finally prepare high-quality research reports to provide reference for the Board and the operation decision makers.

(IV) Make efforts in key points of supervision to actively facilitate the rectification of problems

First, the Board of Supervisors will strengthen the rectification of problems and reinforce the achievements of supervision and inspection. A problem follow-up and management mechanism will be established to follow up the rectification of problems in the whole process, continuously promote the proper rectification of problems, and promote the improvement of internal control management level. Second, the Board of Supervisors will highlight key points of supervision and continuously pay attention to the implementation of inspection over operation risks, credit risks and internal control. Close supervision will be conducted over the environment construction for internal control, the identification and assessment of risks in key areas and process and the effectiveness of internal control measures.

Changes in Share Capital and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL OF THE BANK

(I) Share Capital

As of December 31, 2024, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate Percentage of Issued Share Capital (%)
Domestic Shares	11,275,991,330	74.83
H Shares	3,793,800,000	25.17
Total	15,069,791,330	100.00

(II) Changes in Share Capital

During the Reporting Period and up to the Latest Practicable Date, there have been no changes in the share capital of the Bank.

II. PARTICULARS OF SHAREHOLDERS

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

As of December 31, 2024, the top ten Shareholders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	The Number of Shares of the Bank Held as at December 31, 2024 ⁽¹⁾	Shareholding Percentage as at December 31, 2024 (%)	The Number of Shares of the Bank Held as at the Latest Practicable Date ⁽¹⁾	Shareholding Percentage as at the Latest Practicable Date (%)	Number of Shares Pledged
1	Gansu Highway Aviation Tourism	2,657,154,433	17.63	2,657,154,433	17.63	0
2	Gansu State-owned Assets Investment	1,909,250,972	12.67	1,909,250,972	12.67	0
3	Jiuquan Iron & Steel	983,972,303	6.53	983,972,303	6.53	0
4	Jinchuan Group	983,972,303	6.53	983,972,303	6.53	0
5	Mengshang Bank Co., Ltd.	845,296,403	5.61	845,296,403	5.61	0
6	Gansu Electric Power Investment	633,972,303	4.21	633,972,303	4.21	0
7	Jingyuan Coal Industry Group Limited	239,326,800	1.59	239,326,800	1.59	0
8	Xiamen International Bank Co., Ltd.	239,326,800	1.59	239,326,800	1.59	0
9	Duzhe Publishing Group Limited	211,324,101	1.40	211,324,101	1.40	0
10	Ningxia Tianyuan Manganese Limited Company	201,083,333	1.33	201,083,333	1.33	0
	Jingye Group Co., Ltd.	201,083,333	1.33	201,083,333	1.33	0

Notes:

- (1) The shareholding in this table refers to the number of Domestic Shares directly held in the Bank.
- (2) As at the end of the Reporting Period, so far as the Bank was aware, the Bank's 701,043,817 Shares, representing 4.65% of the Shares issued, were pledged.

Changes in Share Capital and Particulars of Shareholders

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

To the best knowledge of the Bank, as of December 31, 2024, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or will be deemed or taken to have interests and/or short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Bank pursuant to section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares Directly or Indirectly Held ⁽²⁾	Approximate Percentage of the Bank's Total Issued Share Capital (%)	Approximate Percentage of the Bank's Relevant Class of Shares (%)
Gansu Highway Aviation Tourism	Beneficial owner ⁽³⁾	Domestic Shares	2,657,154,433 (L) ⁽¹⁾	17.63	23.56
	Interest in controlled corporation ⁽³⁾	Domestic Shares	100,541,667 (L) ⁽¹⁾	0.67	0.89
Gansu State-owned Assets Investment	Beneficial owner ⁽⁴⁾	Domestic Shares	1,909,250,972 (L) ⁽¹⁾	12.67	16.93
	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	1,617,944,606 (L) ⁽¹⁾	10.74	14.35
Jiuquan Iron & Steel	Beneficial owner	Domestic Shares	983,972,303 (L) ⁽¹⁾	6.53	8.73
Jinchuan Group	Beneficial owner ⁽⁴⁾	Domestic Shares	983,972,303 (L) ⁽¹⁾	6.53	8.73
Mengshang Bank Co., Ltd.	Beneficial owner	Domestic Shares	845,296,403 (L) ⁽¹⁾	5.61	7.50
Gansu Electric Power Investment	Beneficial owner ⁽⁴⁾	Domestic Shares	633,972,303 (L) ⁽¹⁾	4.21	5.62
Gansu Financial Holding Group Co., Ltd. (甘肅金融控股集團有限公司)	Beneficial owner	H Shares	1,250,000,000 (L) ⁽¹⁾	8.29	32.95
Gansu Province Xinye Asset Operation Co. Ltd. (甘肅省新業資產經營有限責任公司)	Beneficial owner	H Shares	661,094,000 (L) ⁽¹⁾	4.39	17.43
THE PACIFIC SECURITIES CO., LTD.	Other ⁽⁵⁾	H Shares	421,120,000 (L) ⁽¹⁾	2.79	11.10
PACIFIC SECURITIES OVERSEAS GONG YING NO. 3 SINGLE ASSET MANAGEMENT PLAN	Other ⁽⁵⁾	H Shares	421,120,000 (L) ⁽¹⁾	2.79	11.10
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee ⁽⁶⁾	H Shares	350,153,000 (L) ⁽¹⁾	2.32	9.23
Harvest Ahead International Holdings Limited	Beneficial owner	H Shares	358,405,115 (L) ⁽¹⁾	2.38	9.45
Anar Real Estate Group Co., Ltd. (石榴置業集團股份有限公司)	Founder of a discretionary trust, who can affect the trustee how to exercise discretionary trust ⁽⁷⁾	H Shares	282,064,000 (L) ⁽¹⁾	1.87	7.43
Beijing Kadapu Investment Co., Ltd. (北京卡達普投資有限公司)	Interest in controlled corporation ⁽⁷⁾	H Shares	282,064,000 (L) ⁽¹⁾	1.87	7.43
Beijing Annatuoliya Investment Co., Ltd. (北京安納托利亞投資有限公司)	Interest in controlled corporation ⁽⁷⁾	H Shares	282,064,000 (L) ⁽¹⁾	1.87	7.43
Cui Wei	Interest in controlled corporation ⁽⁷⁾	H Shares	282,064,000 (L) ⁽¹⁾	1.87	7.43
Sang Chunhua	Interest in controlled corporation ⁽⁷⁾	H Shares	282,064,000 (L) ⁽¹⁾	1.87	7.43

Changes in Share Capital and Particulars of Shareholders

Notes:

- (1) L represents long position.
- (2) Pursuant to Part XV of the SFO, shareholders of a company are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the shareholders in the company change, it is not necessary for the shareholders to notify the Bank and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the substantial shareholders in the Bank may be different from the shareholdings filed with the Hong Kong Stock Exchange.
- (3) Gansu Highway Aviation Tourism held 2,657,154,433 Domestic Shares of the Bank, representing approximately 17.63% of the total issued share capital of the Bank. Gansu Highway Aviation Tourism holds 100% equity interest in Gansu Financial Capital Group Co., Ltd. (甘肅省金融資本集團有限公司), while Gansu Financial Capital Group Co., Ltd. held 100,541,667 Domestic Shares of the Bank, representing approximately 0.67% of the total issued share capital of the Bank. Therefore, Gansu Financial Capital Group Co., Ltd. is a controlled corporation of Gansu Highway Aviation Tourism. Pursuant to the SFO, Gansu Highway Aviation Tourism is deemed to be interested in the Shares held by Gansu Financial Capital Group Co., Ltd.
- (4) Gansu State-owned Assets Investment directly held 1,909,250,972 Domestic Shares of the Bank, representing approximately 12.67% of the total issued share capital of the Bank. Gansu SASAC and Jiuquan Iron & Steel hold 84% and 16% equity interest in Gansu State-owned Assets Investment, respectively, while Gansu State-owned Assets Investment in turn holds 31.58% equity interest in Jiuquan Iron & Steel. Gansu State-owned Assets Investment also holds 100% of the equity interest in Gansu Electric Power Investment and 47.97% of the equity interest in Jinchuan Group. Therefore, Gansu Electric Power Investment and Jinchuan Group are controlled corporations of Gansu State-owned Assets Investment. Pursuant to the SFO, Gansu State-owned Assets Investment is deemed to be interested in the Shares held by Gansu Electric Power Investment and Jinchuan Group.
- (5) Jialong Investment Group Co., Ltd. (佳龍投資集團有限公司) is the asset trustor of the PACIFIC SECURITIES OVERSEAS GONG YING No. 3 SINGLE ASSET MANAGEMENT PLAN (Wealth management product registration number: SLE891), and THE PACIFIC SECURITIES CO., LTD is the asset manager, of the PACIFIC SECURITIES OVERSEAS GONG YING No. 3 SINGLE ASSET MANAGEMENT PLAN. Pursuant to the SFO, THE PACIFIC SECURITIES CO., LTD is deemed as holding equity interests in the Shares of the Bank held by the PACIFIC SECURITIES OVERSEAS GONG YING No. 3 SINGLE ASSET MANAGEMENT PLAN.
- (6) China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司) holds 350,153,000 H Shares of the Bank as a trustee, among which, “FOTIC – Wuxingbaichuan No. 26 Special Unitrust of Anar Group” (外貿信託一五行百川26號石榴集團專項單一資金信託) holds 282,064,000 H Shares of the Bank, and “FOTIC – Wuxingbaichuan No. 25 Unitrust” (外貿信託一五行百川25號單一資金信託) holds 68,089,000 H Shares of the Bank.
- (7) Anar Real Estate Group Co., Ltd. (石榴置業集團股份有限公司) holds 282,064,000 H Shares of the Bank as the founder of a discretionary trust who can influence the trustee how to exercise its discretion. Beijing Kadapu Investment Co., Ltd. (北京卡達普投資有限公司) holds 100% equity interest in Anar Real Estate Group Co., Ltd. Beijing Kadapu Investment Co., Ltd. is a wholly-owned subsidiary of Beijing Annatuoliya Investment Co., Ltd. (北京安納托利亞投資有限公司). Cui Wei holds 58% equity interest in Beijing Annatuoliya Investment Co., Ltd., and Sang Chunhua holds 42% equity interest in Beijing Annatuoliya Investment Co., Ltd. According to the SFO, Beijing Kadapu Investment Co., Ltd., Beijing Annatuoliya Investment Co., Ltd., Cui Wei and Sang Chunhua are deemed to be interested in the Shares of the Bank held by Anar Real Estate Group Co., Ltd.

Save as disclosed above, as of December 31, 2024, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Please refer to “II. Particulars of Shareholders” above for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholders and De Facto Controller

The Bank does not have a controlling Shareholder or de facto controller.

Directors, Supervisors, Senior Management, Employees and Organizations

1. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

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

Directors

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as at the Latest Practicable Date	Responsibilities
Mr. Liu Qing (劉青)	59	May 2011	December 3, 2018	Chairman, executive Director	Presiding over the overall operation of the Bank, and primarily responsible for matters concerning Party building, implementation of major responsibilities for fostering a clean and honest Party, the ideological and political affairs, ideological work, as well as work concerning the Board of Directors, strategic development and audit work and supervising the members of the leading team and senior management for the improvement of the work under their supervision; in charge of the Office of the Board of Directors, the Strategy and Development Department, and the Audit Department
Mr. Wang Xizhen (王錫真)	51	May 2022	September 16, 2022	Executive Director, president	Presiding over the overall operation and management of the Bank, mainly responsible for coordinating and supervising the members of the management team to discharge their respective duties, coordinating and supervising the full implementation of the Bank's business plan, and fully promoting the mitigation, collection and disposal of risk assets; in charge of the Planning and Financial Department
Mr. Zhang Junping (張軍平)	47	September 2023	September 15, 2023	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. Zhang Tingting (張婷婷)	46	September 2023	September 15, 2023	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. Ye Rong (葉榮)	52	September 2024	September 19, 2024	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member

Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as at the Latest Practicable Date	Responsibilities
Mr. Zhang Youda (張有達)	52	November 2016	November 2, 2017	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Mr. Guo Jirong (郭繼榮)	54	November 2016	November 2, 2017	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which he is a member
Ms. Yang Chunmei (楊春梅)	47	December 2021	March 4, 2022	Non-executive Director	Participating in the major decisions related to the Bank including on its strategic development and operation management, and the matters of the Board of Directors and the Board committees of which she is a member
Mr. Dong Ximiao (董希淼)	48	December 2018	March 5, 2019	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in finance, and performing his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee, related party transaction and risk management committee

Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as at the Latest Practicable Date	Responsibilities
Mr. Wang Tingting (王汀汀)	48	December 2021	March 4, 2022	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in economic and financial studies, and performing his duties as a Director through the Board of Directors, the nomination and remuneration committee and the related party transaction and risk management committee
Mr. Liu Guanghua (劉光華)	55	December 2021	March 4, 2022	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal works, and performing his duties as a Director through the Board of Directors, the related party transaction and risk management committee and the consumer rights protection committee
Mr. Wang Lei (王雷)	44	September 2023	September 15, 2023	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in accounting, and performing his duties as a Director through the Board of Directors, audit committee, nomination and remuneration committee and strategy and development committee
Mr. Hau Pak Sun (侯百榮)	44	October 2023	October 16, 2023	Independent non-executive Director	Responsible for supervising and providing independent advice on operation and management of the Bank, particularly providing advice to the Bank based on his extensive experience in legal works, and performing his duties as a Director through the Board of Directors, the related party transaction and risk management committee and the audit committee

Note:

- (1) The date of appointment as a Director represents the date on which the relevant person's qualification as a director was approved by the NAFR Gansu Office.

Directors, Supervisors, Senior Management, Employees and Organizations

Supervisors

Name	Age	Date of joining the Bank	Date of appointment as Supervisor ⁽¹⁾	Position held as at the Latest Practicable Date	Responsibilities
Mr. Luo Yi (羅藝)	45	June 2018	June 1, 2018	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Ma Runping (馬潤平)	62	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Li Zongyi (李宗義)	55	December 2021	December 24, 2021	External Supervisor	Supervising the Board of Directors and the senior management
Mr. Wang Xiaopei (王效沛)	53	July 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank
Mr. Liu Peixun (劉培訓)	57	March 2012	December 3, 2021	Employee Representative Supervisor	Supervising the Board of Directors and the senior management on behalf of the employees of the Bank

Note:

- (1) The date of appointment as a Supervisor represents the date on which the relevant person was first elected as a Supervisor at the Shareholders' general meetings or the employee representatives' meetings (for employee representative Supervisors only) of the Bank.

Directors, Supervisors, Senior Management, Employees and Organizations

Senior Management

Name	Age	Date of joining the Bank	Date of appointment as Director ⁽¹⁾	Position held as of the Latest Practicable Date	Responsibilities
Mr. Wang Xizhen (王錫真)	51	May 2022	October 17, 2022	Executive Director, president	Presiding over the overall operation and management of the Bank, mainly responsible for coordinating and supervising the members of the management team to discharge their respective duties, coordinating and supervising the full implementation of the Bank's business plan, and fully promoting the mitigation, collection and disposal of risk assets; in charge of the Planning and Financial Department.
Ms. Hao Jumei (郝菊梅)	56	February 2012	June 28, 2019	Vice president, secretary to the Board of Directors	Responsible for the overall coordination of risk management work, daily work of the Board of Directors, asset preservation, credit approval, internal control and compliance, as well as the coordination and liaison with the companies held or invested by the Bank (such as rural banks). Mainly responsible for the promotion of risk assets mitigation, collection and disposal works of the Bank; in charge of Risk Management Department, Asset Preservation Department, Special Assets Management Center, Credit Approval Department, and Legal and Compliance Department, and assisting the chairman in taking charge of the Office of the Board of Directors and the Strategy and Development Department.
Mr. Du Jing (杜晶)	49	December 2011	May 26, 2020	Vice president	Responsible for corporate business, group client business, financial interbank and investment banking business; in charge of Corporate Business Department, Group Client Department, Financial Interbank Department, and Investment Banking Business Department.
Mr. Sun Xiaoming (孫曉明)	47	January 2024	April 16, 2024	Vice president	Responsible for the individual business, inclusive finance, three rural matters, rural revitalization, retail credit, and asset management, in charge of Individual Business Department (Consumer Rights Protection Department), the Inclusive Finance Department (Rural Revitalization Department), Retail Credit Department, and Asset Management Department.
Mr. Duan Jianxing (段劍星)	55	November 2011	January 18, 2023	Chief information officer	Responsible for operation guarantee, channel business, technical supporting, digital transformation and product innovation related work; in charge of Accounting Operations Department, Information Technology Department, and Channel Management Department.

Note:

- (1) The date of appointment as a senior management member represents the date on which relevant person's qualification for the position was approved by the NAFR Gansu Office.

Directors, Supervisors, Senior Management, Employees and Organizations

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Changes in Directors

As Mr. Dong Ximiao has served as an independent non-executive Director of the Bank for six consecutive years, pursuant to the relevant regulatory requirements of the PRC, Mr. Dong Ximiao has submitted to the Board to resign as an independent non-executive Director of the Bank, a member of the audit committee, a member of the related party transaction and risk management committee, and the chairman of the nomination and remuneration committee under the Board in April 2024. Prior to the appointment of a new independent non-executive Director, Mr. Dong Ximiao will continue to fulfill his duties as an independent non-executive Director and in the respective special committees of the Board.

Mr. Zhao Xingjun tendered his resignation as a non-executive Director of the Bank and a member of the strategy and development committee under the Board due to work rearrangement, and Mr. Zhao ceased to hold any position in the Bank as from May 31, 2024.

Mr. Wang Xizhen serves as the chairman of the consumer rights protection committee of the third session of the Board of Directors of the Bank with effect from May 31, 2024.

The Bank has approved the resolution regarding the appointment of Mr. Ye Rong as a non-executive Director of the third session of the Board of Directors of the Bank at the 2023 Annual General Meeting held on June 27, 2024. His qualification was approved by NAFR Gansu Office on September 19, 2024, and his appointment shall take effect from the date of approval of his qualification. He has served as a member of the strategy and development committee of the third session of the Board of Directors of the Bank since September 19, 2024.

Mr. Wang Lei serves as a member of the strategy and development committee of the third session of the Board of Directors of the Bank with effect from August 29, 2024.

(II) Changes in Supervisors

During the Reporting Period, there were no changes in the members of the Board of Supervisors of the Bank.

Mr. Zhang Yanlong, a shareholder supervisor, resigned as a shareholder supervisor and a member of the nomination committee of the Board of Supervisors of the Bank on March 28, 2025.

Mr. Han Zhenjiang, a shareholder supervisor, resigned as a shareholder supervisor and a member of the supervisory committee of the Board of Supervisors of the Bank on March 28, 2025.

Mr. Zeng Lehu, a shareholder supervisor, resigned as a shareholder supervisor and a member of the nomination committee of the Board of Supervisors of the Bank on March 28, 2025.

(III) Changes in Senior Management Members

Mr. Sun Xiaoming has served as a vice president of the Bank since April 16, 2024.

Ms. Nie Lei has ceased to be the chief risk officer of the Bank since September 1, 2024.

Mr. Feng Yuhui has ceased to be the chief business officer of the Bank since October 28, 2024.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Cai Tong has ceased to be a vice president the Bank since December 31, 2024.

Ms. Guo Li has ceased to be the chief compliance officer of the Bank since January 6, 2025.

3. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

(I) Biographies of Directors

Executive Director

Mr. Liu Qing (劉青), aged 59, holds a master's degree from Lanzhou University. He previously served as a senior staff member at the education department of the Gansu Branch of the People's Bank of China, the secretary to the Party Committee and president of the Baiyin Branch of the People's Bank of China, the secretary to the Party Committee and director-general of the CBRC Baiyin Office, a member of the Party Committee and deputy director-general of the China Banking and Insurance Regulatory Commission Gansu Office, and the secretary to the Party Committee and director-general of Gansu Province Rural Credit Union. Mr. Liu has served as secretary to the Party Committee of the Bank since September 2018, and secretary to the Party Committee and the chairman of the Bank since December 2018.


Mr. Wang Xizhen (王錫真), aged 51, holds a master's degree from Lanzhou University. He previously served as the deputy general manager of business department of Gansu Branch, the secretary of the Party Committee and president of Lanzhou Xigu Sub-branch, the secretary of the Party Committee and general manager of the business department, the general manager of the cooperate business department, a member of the Party Committee of Gansu Branch and vice president of Gansu Branch of China Construction Bank. Mr. Wang has served as the deputy secretary of the Party Committee of the Bank since May 2022, the deputy secretary of the Party Committee and the president of the Bank since September 2022, and the deputy secretary of the Party Committee, president, executive Director of the Bank since October 2022.

Directors, Supervisors, Senior Management, Employees and Organizations

Non-executive Directors

Mr. Zhang Junping (張軍平), aged 47, holds a bachelor's degree from Lanzhou University of Technology. He previously served as the head of the capital division as well as the head of the accounting division of the finance department of Jinchuan Group, the president of the internal bank, deputy director and director of the finance department of Gansu Province Highway Aviation Tourism Investment Group (HATG), etc. Since September 2019, he has been serving as the chief financial officer of HATG. Since September 2023, he has been serving as a non-executive Director of the Bank.

Ms. Zhang Tingting (張婷婷), aged 46, holds a master's degree from Lanzhou University. She previously served as a principal staff member of the Investigation Department of the Gansu Provincial Taxation Bureau of the State Administration of Taxation, deputy director of the Large Business and International Division of the Gansu Provincial Taxation Bureau of the State Administration of Taxation, deputy director-general of the tax bureau directly under the Gansu Provincial Taxation Bureau of the State Administration of Taxation, deputy director-general of the First Branch (Large Business Taxation Service and Management Bureau) of the Gansu Provincial Taxation Bureau of the State Administration of Taxation, and deputy director (department general manager level) of the Capital Finance Department of Gansu Province State-owned Assets Investment Group, etc. Since January 2021, she has been serving as the director of the Capital Finance Department of Gansu Province State-owned Assets Investment Group. She has been a director of Shanghai Longwan Industrial Development Co., Ltd. (上海隴苑實業發展有限公司) since May 2021, a director of Gansu Science and Technology Investment Group Co., Ltd. since January 2022, a director of Gansu Xinglong Non-Ferrous New Materials Venture Investment Fund Company Limited (甘肅興隴有色金屬新材料創業投資基金有限公司) since May 2022, and a non-executive Director of the Bank since September 2023.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Ye Rong (葉榮), aged 51, holds a bachelor's degree from Beijing Agricultural University. He previously served as deputy director of the Treasury Payment Center, deputy director of the Treasury Department, and director of the Data Network Management Center of the Gansu Provincial Department of Finance, as well as general manager of the Investment Management Department, deputy director of Risk Control (department general manager level), director of the Party-masses Work Department, full-time deputy secretary of the Party Committee, and vice chairman of the Trade Union of Gansu Financial Holding Group, etc. Mr. Ye has served as deputy general manager of Gansu Financial Holding Group and chairman of Gansu Financial Holding Natural Ecological Environment Investment and Construction Co. Ltd. since August 2023, and a non-executive Director of the Bank since September 2024.

Mr. Zhang Youda (張有達), aged 52, holds a master's degree from Lanzhou University. He previously served as head of the finance division of the smelting plant, head of the cost division of the finance department, deputy director of the finance department, deputy general manager of the finance department (presiding over the work), and general manager of the finance department of Jinchuan Group, etc. He has been a member of the standing committee of the Party Committee and the deputy general manager of Jinchuan Group since July 2018. He has been a non-executive director of Jinchuan Group International Resources Co. Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 02362) since August 2017. He has been the chairman of the board of directors and a non-executive director of Jinchuan Group International Resources Co. Ltd. from March 2019 onwards. On February 19, 2022, he resigned from his positions as chairman of the board of directors, non-executive director, chairman of the Strategy and Investment Committee, and member of the Audit Committee, Risk Management Committee, and Remuneration and Nomination Committee of Jinchuan Group International Resources Co. Ltd. Since November 2017, he has been serving as a non-executive Director of the Bank.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Guo Jirong (郭繼榮), aged 54, holds a bachelor's degree from Shanxi Institute of Finance and Economics (now known as Shanxi University of Finance and Economics). He previously served as deputy head of the capital division of the finance section and head of the accounting and information division of Baiyin Nonferrous Metals Company (now known as "Baiyin Nonferrous Group Co., Ltd."), as well as deputy senior staff of the finance department, deputy director of property management department, director of the directors and supervisors office, deputy director of the asset operation and management department, and head of the capital resources management department of Jiuquan Iron & Steel. He has served as general manager of the budget and finance department of Jiuquan Iron & Steel since July 2024, and a director of Gansu Jiuquan Steel Group Hongxing Iron & Steel (a company listed on the Shanghai Stock Exchange, stock code: 600307) since August 2017. He has been serving as a non-executive Director of the Bank since November 2017.

Ms. Yang Chunmei (楊春梅), aged 47, holds a bachelor's degree from Yunnan University. She previously served as deputy manager of the office of the operation division at the Xinjiang Branch of China Construction Bank, the deputy general manager of the corporate business department, the deputy general manager of the general management department, the level 5 account manager of the corporate business department and the head of general division of the branch (during which she worked in the preparatory group of Mengshang Bank Co., Ltd.), the deputy head (presiding over the work) of the board office of Mengshang Bank, etc. She has been the head of the board office of Mengshang Bank since July 2023, and a non-executive Director of the Bank since March 2022.

Directors, Supervisors, Senior Management, Employees and Organizations

Independent Non-executive Directors


Mr. Dong Ximiao (董希淼), aged 48, holds a master's degree from Zhejiang University of Technology and is a senior economist. He previously served as the office secretary, deputy business manager and business manager of Zhejiang Branch of China Construction Bank, vice president and a senior manager of the private banking department of the directly affiliated sub-branch of Zhejiang Branch of China Construction Bank, executive dean of the Research Institute of Hengfeng Bank Co., Ltd., vice president of the Chongyang Institute of Financial Studies of Renmin University of China, deputy director of the Industry Development Research Committee of China Banking Association, etc. Mr. Dong is currently the deputy director and researcher of Shanghai Finance and Development Laboratory, member of Expert Advisory Committee of Asian Financial Cooperation Association, expert of Professional Degree Evaluation of Degree Center of Ministry of Education, member of Internet Banking Professional Committee of China Internet Finance Association, member of Digital Finance Working Committee of Internet Society of China. He served as an independent non-executive Director of the Bank from March 2019, and resigned from the positions of Director and member of relevant committees in April 2024 due to the term of office will expire at the end of six years. He has been serving as an independent director of Bozhou Yaodu Rural Commercial Bank Co., Ltd. since February 2020, an independent non-executive director of Joudier Precision Industry (Kunshan) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300549) since November 2021, an independent director of Shanghai Amarsoft Information & Technology Co., Ltd. (上海安碩技術股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300380) since March 2023, and an independent director of Industrial Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601377) since February 2024.

Mr. Wang Tingting (王汀汀), aged 48, holds a doctorate's degree from Peking University and is a visiting scholar at Michigan State University in the United States. He previously served as an associate professor at the School of Finance of Central University of Finance and Economics, the director of the Center for Teaching Research and Case Studies on Professional Master in Finance, deputy director of the Institute of Securities and Futures, etc. He is currently a professor at the School of Finance of Central University of Finance and Economics, the head of the Department of Applied Finance, and director of the Institute of Securities and Futures. He has been serving as an independent director of Great Wall Glory Securities Co., Ltd. since December 2021, an independent non-executive Director of the Bank since March 2022, an independent director of Yibin Tianyuan Group Co., Ltd. (宜賓天原股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002386) since November 2023, and an independent director of HBIS Resources Co., Ltd. (河鋼資源股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000923) since September 2024.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Liu Guanghua (劉光華), aged 55, holds a doctorate's degree from Renmin University of China and has been a visiting scholar at Hastings College of the Law, University of California, and a visiting professor at University of Turin, an international university of Italy. He previously served as a teaching assistant and lecturer in the Department of Law of Lanzhou University, an associate professor, professor and tutor for graduate students in a master's course on economic law at the School of Law of Lanzhou University. Mr. Liu is currently the director of the Centre of Research on Italy and the director of the Institute of Economic Law of Lanzhou University, and concurrently serves a legislative consultant for the Standing Committee of the Gansu Provincial People's Congress, a legal consultant expert for the Gansu Provincial People's Government (external legal consultant), a member of the think tank of experts for governing the province by law of the Gansu Provincial Party Committee, and vice president of the Beijing Credit Society. Since March 2022, he has been serving as an independent non-executive Director of the Bank.

Mr. Wang Lei (王雷), aged 44, holds a doctorate's degree from Chongqing University. He previously served as a lecturer and tutor for graduate students in a master's course of the School of Management, and head of the Accounting Department of the School of Management, Lanzhou University. He has been serving as the director of the Accounting and Financial Management Department, an associate professor and a tutor or graduate students in a master's course of the School of Management, Lanzhou University since November 2020. He served as an external director (part-time) of Gansu Construction Investment (Holdings) Group Co., Ltd. and Gansu Construction and Investment Training Center Co., Ltd. (甘肅建投培訓中心有限公司) from April 2022 to March 2025. He has been an independent non-executive Director of the Bank since September 2023, and an independent director of Gansu Mogao Industrial Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600543) since January 2025.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Hau Pak Sun (侯百樂), aged 44, holds a bachelor's degree from the University of Hong Kong and is qualified as a solicitor of the High Court of Hong Kong, and a solicitor advocate of Hong Kong. He previously worked as a solicitor at Charles Chu & Kenneth Sit, and since December 2007, he has been a partner of Charles Chu & Kenneth Sit. In addition, he is also the deputy chairman of Inland Revenue Board of Review of Hong Kong Special Administrative Region and a member of the Law Society of Hong Kong. He has been serving as an independent non-executive Director of the Bank since October 2023.


(II) Biographies of Supervisors

Mr. Luo Yi (羅藝), aged 45, holds a doctorate's degree from Wuhan University. Mr. Luo has been working since June 2002 in Gansu University of Political Science and Law where he now serves as an associate professor and master's supervisor in the School of Law, a postdoctoral fellow at East China University of Political Science and Law, a visiting scholar of Renmin University of China in "Program of Middle and Western Backbone Teachers Visiting Scholar of the Ministry of Education", an exchange scholar of University of Helsinki in Finland and the head of the Rule of Law Research Center for the Construction of Western Ecological Civilization of Gansu University of Political Science and Law. He also concurrently serves as an entry expert for Legal Expert Talent Database of Gansu Provincial Government, an expert in the Think Tank of Rule of Law in Gansu of the Gansu Law Society, a research fellow of Lanzhou Academy of Social Sciences, Lanzhou Social Science Association, an adjunct professor of Nanchang Institute of Technology, an expert in the Think Tank of Zhongbolian (中博聯智庫); an expert in the Department of Ecology and Environment of Gansu Province, the Department of Culture and Tourism of Gansu Province, Standing Committee of Lanzhou Municipal People's Congress, the Lanzhou Judicial Bureau and other departments for the legislative debate; a review expert for Master's and doctoral paper at the Academic Degrees Center of Ministry of Education, a member of the editorial committee and an external reviewer for various university journals in China, and an external reviewer for master's paper at Xiamen University and other universities. Social part-time job: the secretary-general of the Gansu Economic Law Research Association, the director of the Cross-Strait Legal Exchange Promotion Association of the China Law Society, a member of the Environmental Law Branch of the Chinese Society of Environmental Sciences, and a researcher of the Gansu Legal Research Center on Circular Economy, the Gansu Research Center for Promoting Social Governance According to Law and the Lanzhou Base of National Collaborative Innovation Center of Judicial Civilization. He has served as an external Supervisor of the Bank since December 2021.

Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Ma Runping (馬潤平), aged 62, holds a bachelor's degree from Lanzhou Business College (now known as Lanzhou University of Finance and Economics), is a professor (senior professional technical position) and a first-tier leading talent in Gansu Province (2010-2023). He has previously served as the assistant head and deputy head of the Department of Finance and the deputy Dean of the School of Finance of Lanzhou Business College (now known as Lanzhou University of Finance and Economics), deputy director of the Academic Affairs Office, the director of the Institute of Higher Education and the dean of the School of Finance of Lanzhou Business College, and the dean of the School of Finance of Lanzhou University of Finance and Economics. In October 2023, he retired and was re-appointed as a professor of Lanzhou University of Finance and Economics, and in September 2023, he was appointed as the dean of the School of Economics of Lanzhou Technology and Business College (formerly known as Longqiao College of Lanzhou University of Finance and Economics), and since June 2024, he has served as the vice president of Lanzhou Technology and Business College. He is also an executive director of the China Society of Financial Engineering; an executive director of the China Regional Finance Forum; the deputy secretary general of the 8th Gansu Finance Association, and vice president of the 6th Gansu Insurance Association. He has been an external Supervisor of the Bank since December 2021.

Mr. Li Zongyi (李宗義), aged 55, holds a master's degree from Lanzhou University. He is a full senior accountant, Senior China Certified Public Accountant, UK Chartered Accountant, Senior Australian Certified Public Accountant, Australia Certified Public Accountant, USA Certified Management Accountant, asset appraiser, tax agent, lawyer, National Accounting Leader, and National Advanced Accounting Worker. He previously served as the project manager of China Mechanical and Electrical Equipment Lanzhou Company (中國機電設備蘭州公司), and the deputy director of Ruihua Certified Public Accountants (瑞華會計師事務所), Gansu Branch. Since December 2019, Mr. Li has been serving as a senior partner of WUYIGE Certified Public Accountants (special general partnership), and the director of its Gansu Branch. He concurrently serves as a tutor for graduate students in a master's course at Lanzhou University, Lanzhou University of Technology, Lanzhou University of Finance and Economics, and Beijing Foreign Studies University, a distinguished professor at Northwest Normal University, the vice chairman of the Gansu New Social Class Association (甘肅省新聯會), and a member of the Fourth Enterprise Accounting Standards Advisory Committee under the Ministry of Finance. Mr. Li has been an independent director of Ningxia Xinri Hengli Wire Rope Co., Ltd. (寧夏新日恒力鋼絲繩股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600165) from August 2016 to July 2022, an independent director of Gansu Engineering Consulting Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000779) from November 2019 to December 2023, and an independent director of Gansu Long Shen Rong Fa Pharmaceutical Co., Ltd. (甘肅隴神戎發藥業股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300543) since December 2020. Mr. Li has been serving as an external supervisor of the Bank since December 2021, an independent director of Duzhe Publishing & Media Corp (a company listed on the Shanghai Stock Exchange, stock code: 603999) since October 2022, and an independent director of Gansu Guo Fang Industry and Trade (Group) Limited (a company listed on the Shanghai Stock Exchange, stock code: 601086) since December 2022.



Directors, Supervisors, Senior Management, Employees and Organizations

Mr. Wang Xiaopei (王效沛), aged 53, holds a bachelor's degree from China Central Radio and TV University. He has previously served as the head of accounting department, the head of institutional business department of the branch, the president of Suzhou Sub-branch, a member of Party Committee and a vice president of Jiuquan Branch of China Construction Bank. He joined the Bank in July 2012 and has successively served as the secretary of Party Committee and president of Jiuquan Branch and the secretary of Party Committee and president of Wuwei Branch of the Bank. He has been the secretary of the Party Committee and president of Jincheng Sub-branch of the Bank since January 2024. He has been an employee representative Supervisor of the Bank since December 2021.

Mr. Liu Peixun (劉培訓), aged 57, holds a bachelor's degree from China Central Radio and TV University. He has previously served as a deputy chief of the accounting and settlement section, manager of the planning and finance department and manager of the financial accounting department of Jinchang Branch of Industrial and Commercial Bank of China, and an account manager of Lanzhou Branch, an assistant to the general manager of the second marketing department, and the person in charge of Qilihe Sub-branch of Shanghai Pudong Development Bank. He joined the Bank in March 2012 and has successively served as the deputy general manager of the planning and finance department of the Bank, the secretary of Party Committee and president of Lanzhou High-tech Sub-branch, the secretary of Party Committee and president of Lanzhou Chengguan Sub-branch of the Bank, the general manager of the Corporate Business Department and the general manager of the Party-masses Work Department of the Bank, and the secretary of the Party Committee and president of Qingyang Branch of the Bank. He has been the general manager of the Party-masses Work Department of the Bank since October 2024, and an employee representative Supervisor of the Bank since December 2021.

Directors, Supervisors, Senior Management, Employees and Organizations

(III) Biographies of Senior Management Members

Mr. Wang Xizhen (王錫真), aged 51, is currently the president of the Bank. For the biography of Mr. Wang Xizhen, please refer to “3. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS - (I) Biographies of Directors – Executive Director” in this section.

Ms. Hao Jumei (郝菊梅), aged 56, holds a bachelor’s degree from Lanzhou University of Technology. She previously served as the deputy director of Yinxing Urban Credit Union of Baiyin City, director and member of the Party Committee of Urban Credit Union of Baiyin City, and member of the Party Committee, director and vice president of Baiyin City Commercial Bank. She joined the Bank in February 2012, successively serving as a member of the Party Committee and vice president of the Baiyin branch of the Bank, the deputy general manager of the planning and finance department, a member of the discipline inspection committee, and the general manager of the Baiyin Branch of the Bank. She was a member of the Party Committee and general manager of the planning and finance department of the Bank from December 2016, a member of the Party Committee of the Bank from December 2018, and a member of the Party Committee and the secretary of the Board of Directors of the Bank from March 2019. Ms. Hao has been a member of the Party Committee, vice president and secretary of the Board of Directors of the Bank since June 2019.

Mr. Du Jing (杜晶), aged 49, holds a bachelor’s degree from Lanzhou Commercial College (now known as “Lanzhou University of Finance and Economics”). He previously served as the secretary of the president’s office, deputy head of promotion team (in charge of work) and team leader of the Bank of China Gansu Branch Office and the vice president of the Lanzhou Qilihe Sub-branch. He joined the Bank in December 2011, successively serving as the general manager of the Individual Business Department of the Bank, the director of the Credit Card Center, etc. He served as the vice president and general manager (concurrently) of the Asset Management Department of the Bank from May 2020, and a member of the Party Committee, vice president and general manager (concurrently) of the Asset Management Department of the Bank from December 2021. Mr. Du has been a member of the Party Committee and vice president of the Bank since March 2022 and temporarily served as the deputy director general of Foreign Investment Management Department of the MOFCOM from February 2023 to January 2024.

Mr. Sun Xiaoming (孫曉明), aged 47, holds a master’s degree from Lanzhou University of Technology. He previously served as assistant to the general manager and deputy general manager of the Information Technology Department of the Gansu Branch of Industrial and Commercial Bank of China, the secretary of the Party Committee and president of Wuwei Branch, and the general manager of the Inclusive Finance Department (Rural Revitalization Office) of Gansu Branch. Mr. Sun served as a member of the Party Committee of the Bank from January 2024 and has been a member of the Party Committee and vice president of the Bank since April 2024.

Mr. Duan Jianxing (段劍星), aged 55, holds a master’s degree from Beijing University of Technology. He previously served as a programmer in the Lanzhou Chengguan Sub-branch of China Construction Bank, and the deputy manager of the Technology Department and deputy chief engineer (department director level) of Urban Credit Union of Baiyin City. He joined the Bank in November 2011, successively serving as the deputy general manager and general manager of the Information Technology Department, and a member of the Department Party Committee of the Bank. Mr. Duan has been the chief information officer of the Bank since January 2023.

Directors, Supervisors, Senior Management, Employees and Organizations

4. COMPANY SECRETARY

Mr. Wong Wai Chiu was appointed as the company secretary of the Bank on January 26, 2021. Mr. Wong is the associate director of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Wong has over 30 years of professional services and senior management experience including acting as the chief financial officer, company secretary, information technology director and law enforcement officer in the areas of finance, accounting, regulations, internal control, corporate governance, company secretarial work, trust and forensics accounting in multi-national banking, insurance, securities and information technology corporations and listed companies in Hong Kong as well as government departments and the Hong Kong Stock Exchange. Mr. Wong is a fellow member of The Hong Kong Chartered Governance Institute, a fellow member of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustee Association and a certified trust practitioner. Mr. Wong possesses a B. Soc. Sc (Hon.) in Accounting from the University of Hong Kong and various master degrees and diploma in law, alternate dispute resolution, corporate governance and information technology from renowned universities of U.K., Australia and Hong Kong.

5. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration provided by the Bank for its executive Directors, employee representative Supervisors and senior management who are also the Bank's employees concurrently include salaries, discretionary bonus, social security plans, housing provident fund plans and other benefits. The remuneration provided by the Bank for its non-executive Directors, independent non-executive Directors and other Supervisors are determined by their responsibilities.

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the nomination and remuneration committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the Shareholders' general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the nomination committee under the Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the Shareholders' general meeting for approval after being approved by the Board of Supervisors.

The Bank's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Bank and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Bank is mainly embodied in the remuneration mechanism for the senior management. The remuneration to the senior management is linked to the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Bank, and better encourage the senior management to contribute to the steady and sustainable development of the Bank.

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

Directors, Supervisors, Senior Management, Employees and Organizations

6. COMPENSATION OF DIRECTORS AND SUPERVISORS AND FIVE INDIVIDUALS WITH THE HIGHEST EMOLUMENTS OF OUR BANK

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in the Bank, please refer to notes 12 and 13 to the consolidated financial statements included in this annual report.

7. POSITIONS HELD IN THE SHAREHOLDER COMPANY BY THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position held in the Bank	Name of the shareholder company	Position held in the shareholder company
Mr. Zhang Junping	Non-executive Director	Gansu Highway Aviation Tourism	Chief Financial Officer
Mr. Ye Rong	Non-executive Director	Gansu Financial Holding Group	Deputy general manager
		Gansu Financial Holding Natural Ecological Environment Investment and Construction Co. Ltd. (甘肅金控自然生態環境投資建設有限公司)	Chairman of the Board
Mr. Guo Jirong	Non-executive Director	Jiuquan Iron & Steel	General manager of the budget and finance department
Mr. Zhang Youda	Non-executive Director	Jinchuan Group	Member of the standing committee of the Party Committee, deputy general manager
Ms. Yang Chunmei	Non-executive Director	Mengshang Bank	Head of the Board office

8. CHANGES IN BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

Save as disclosed below, during the Reporting Period, the Bank was not aware of any change in the information of Directors, Supervisors and senior management which is required to be disclosed pursuant to the requirements of the Rule of 13.51B(1) of the Hong Kong Listing Rules.

- Mr. Guo Jirong, a non-executive Director, serves as the general manager of the budget and finance department at Jiuquan Iron & Steel with effect from July 2024.
- Mr. Dong Ximiao, an independent non-executive Director, serves as an independent director of Industrial Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601377) with effect from February 2024.
- Mr. Wang Tingting, an independent non-executive Director, serves as an independent director of HBIS Resources Co., Ltd. (河鋼資源股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000923) with effect from September 2024.
- Mr. Ma Runping, a Supervisor, ceased to be the chairman (a non-administrative position) of the academic committee at Lanzhou University of Finance and Economics with effect from May 2024, and serves as a vice president at Lanzhou Institute of Business with effect from June 2024.

Directors, Supervisors, Senior Management, Employees and Organizations

- Mr. Wang Xiaopei, a Supervisor, serves as the secretary of the Party Committee and president of Jincheng Sub-branch of the Bank with effect from January 2024.
- Mr. Liu Peixun, a Supervisor, serves as the general manager of the Party-masses Work Department of the Bank since October 2024.

9. EMPLOYEE, EMPLOYEE COMPENSATION POLICY AND EMPLOYEE TRAINING PROGRAM

(I) Staff Composition

As of December 31, 2024, the Group had 4,595 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of employees	Percentage of total (%)
Corporate banking	1,184	25.77
Retail banking	963	20.96
Financial market operations	23	0.50
Finance and accounting	450	9.79
Risk management, internal audit and legal compliance	465	10.12
Information technology	159	3.46
Management	248	5.40
Bank teller	591	12.86
Others	512	11.14
Total	4,595	100

The Bank has a young and highly educated team of employees. As of December 31, 2024, the average age of the employees was 35.5, and over 92.49% of them had a bachelor's degree or higher. The following table sets forth the number of the employees by age as of December 31, 2024.

	Number of employees	Percentage of total (%)
Under 30 (inclusive) years old	1,196	26.03
31 to 40 years old	2,491	54.21
41 to 50 years old	548	11.93
Above 50 (exclusive) years old	360	7.83
Total	4,595	100

Directors, Supervisors, Senior Management, Employees and Organizations


The following table sets forth the number of the employees of the Bank by education degree as of December 31, 2024.

	Number of employees	Percentage of total (%)
Master's degree and higher	414	9.01
Bachelor's degree	3,836	83.48
Others	345	7.51
Total	4,595	100

For the year ended December 31, 2024, among the employees of the Bank, 49.45% were male and 50.55% were female; and among the senior management of the Bank, 71.43% were male and 28.57% were female. The Bank has fostered a respectful and inclusive environment that prioritizes diversity of employees in gender, age and professional skills and incorporates employees with diverse experience, backgrounds and perspectives. The Bank will strive to maintain and promote a diversified and harmonious working environment, and do a good job in employee care. By fully protecting the legitimate rights and interests of employees and eliminating any discrimination, the Bank promotes the diversified development of its talent team. In addition, the Bank provides comprehensive training for male and female employees who have the experience, skills and knowledge required for operation and business, including but not limited to operation, management, accounting, finance, compliance, etc. The Board believes that the above strategy can further promote the board diversity in terms of gender in the long run by providing the Board with the opportunity to select capable female employees for future nomination to the Board.

(II) Employee Remuneration

The Bank adopts the remuneration policy that is in line with corporate governance requirements and high-quality development targets, adapted to risk management systems and talent development strategies, and matched with employees' value contribution so as to promote bank-wide steady business operation and high-quality development. The remuneration policy of the Bank is formulated and adjusted in strict accordance with relevant provisions of the state, regulatory requirements and the corporate governance procedures. The Bank kept improving the remuneration resource allocation mechanism with value creation at its core to resolutely maintain a fair allocation concept with incentive commensurate with restraint, transmit the Group's strategic goals of operation and management, allocate more remuneration resources to grassroots staff and spark or unleash the vitality of all institutions at all levels.



Directors, Supervisors, Senior Management, Employees and Organizations

The Bank's remuneration distribution follows the principle of "remuneration by post, paying by performance", and employee remuneration consists of basic salary, performance remuneration and benefits. The basic salary level depends on the value of the position and capabilities of fulfilling the employees' duties, while the level of the performance-based remuneration depends on performance assessment of the Bank, the institution or department of the employee and the employee, and it is linked to factors such as performance, risk, internal control, and competence. Deferred payment is required for more than 40% of the performance-related remuneration of employees who assume responsibilities with material risks as well as risk management and control, and the term of such deferred payment generally is not less than three years. For senior management and personnel in key positions, a performance remuneration recourse and deduction system has been formulated and implemented, pursuant to which if significant losses of risk exposures are incurred within their responsibilities during their employment, the Bank can recover part or all of performance-related remuneration paid in the relevant period and stop further payments. The benefits mainly include social insurance, housing provident fund, enterprise annuity and other non-cash remuneration, which are managed in accordance with local regulatory policies. The remuneration policy applies to all employees who have established a labor contract relationship with the Bank, with no exceptions beyond the prescribed remuneration policy. The Bank has formulated a sound allocation mechanism for total remuneration, and the distribution of total remuneration of branches is linked to the completion of comprehensive performance of branches, taking full consideration of various risk factors so as to focus on risk-adjusted value creation and enhance long-term performance.

The Bank's employees participate in employee benefit plans, such as pension insurance, corporate annuity funds, housing provident funds, work related injury insurance, medical insurance, unemployment insurance and maternity insurance. The Bank conducts performance evaluations of employees on an annual basis to provide feedback based on the evaluations. Remuneration for full-time employees typically consists of a base salary and performance-based compensation.

- (i) With respect to performance-based remuneration recovery and deduction, the number of individuals responsible for violations that occurred in 2024 involved 44 individuals, and the recovery and deductions totaled RMB60,600 in performance.
- (ii) With respect to the deferral of performance payments, the deferral of performance-based compensation for senior management and employees in risk-significant positions amounted to RMB29.6535 million.

Directors, Supervisors, Senior Management, Employees and Organizations

The Bank's compensation paid to employees in risk-significant positions for the year ended December 31, 2024 is set out as follows:

Remuneration bands	Number of persons
Below RMB0.5 million	7
More than RMB0.5 million	6

(III) Employee Training Program

The Bank focuses on employee career development and provides training programs for employees in different business lines. It has built a team of internal training providers under its human resources department.

(IV) Labor Union

The Bank has established a labor union in accordance with PRC laws and regulations. It believes that it has maintained a good working relationship with its employees. As of the Latest Practicable Date, the Bank had not experienced any labor strikes or other labor disturbances that materially affected its operations or public image.

10. THE SUBSIDIARY OF THE BANK

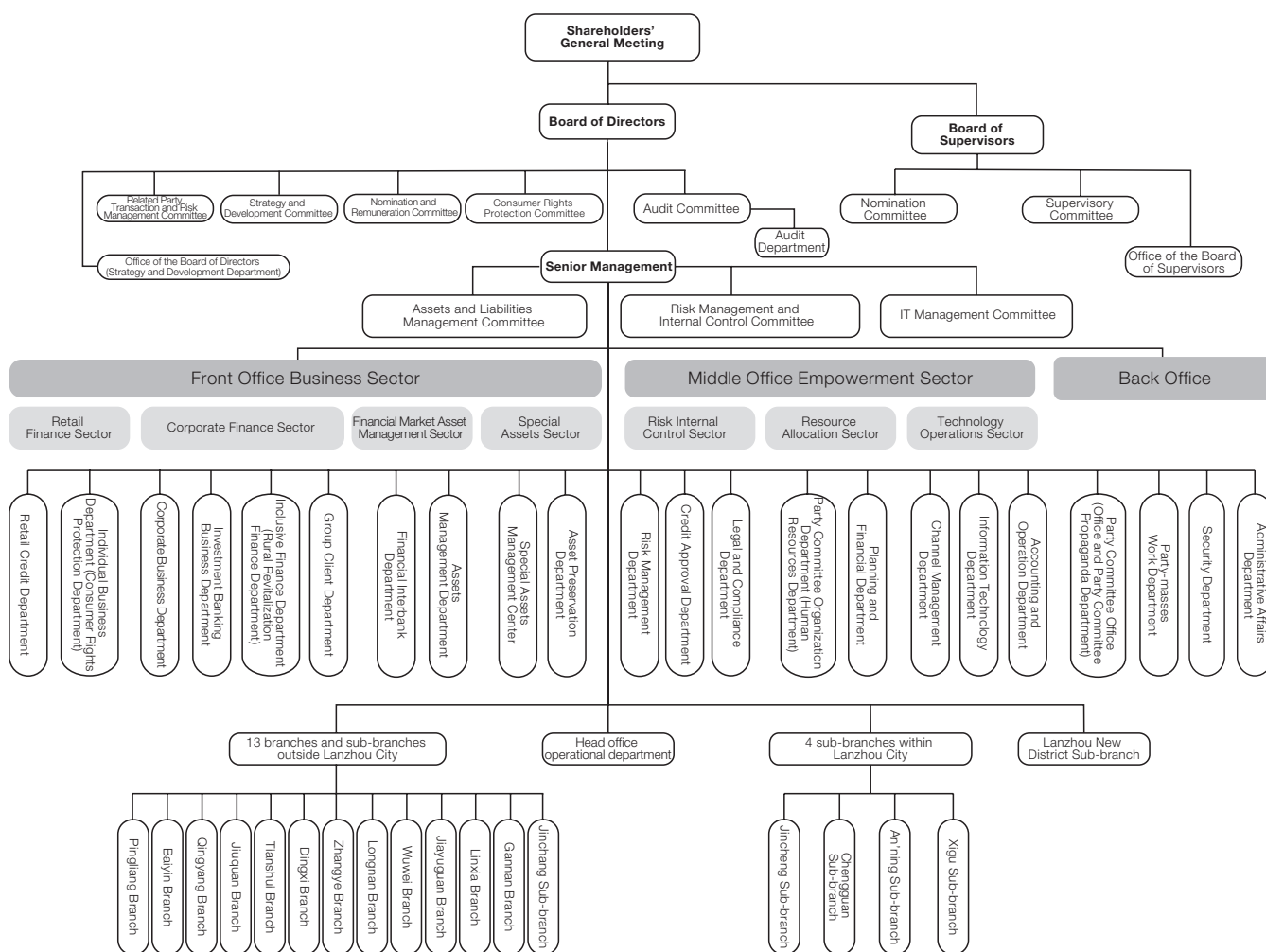
Jingning Chengji Rural Bank is the sole subsidiary of the Bank. The Bank holds 62.73% equity interest in Jingning Chengji Rural Bank, the financials of which have been consolidated into the Bank's financial statements. Jingning Chengji Rural Bank was established on September 18, 2008, which was originally a subsidiary of Pingliang City Commercial Bank. It offers local corporate and retail customers diversified financial products and services, including loans, deposits and fee and commission-based products and services.

Corporate Governance Report

1. CORPORATE GOVERNANCE STRUCTURE

The following chart sets forth the Bank's principal organizational and management structure:

Organizational Structure Chart of Bank of Gansu



Corporate Governance Report

2. CORPORATE GOVERNANCE

(I) Overview

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

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as establishment of internal management departments. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee, and consumer rights protection committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code and the Guidelines on Corporate Governance of Banking and Insurance Institutions issued by the CBIRC (the "Corporate Governance Guidelines") into the Bank's governance structure and policies. The Corporate Governance Code and the Corporate Governance Guidelines are well reflected in the Articles of Association and the Terms of Reference of the Shareholders' General Meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors, and the Board of Supervisors perform their respective duties, forming a good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

The Bank has established and improved the corporate government structure and established a series of corporate government systems according to the Corporate Governance Code and the Corporate Governance Guidelines. The Directors of the Bank believe during the Reporting Period, the Bank has complied with all the code provisions contained in the Corporate Governance Code and has adopted certain recommended best practices where appropriate. The Bank has also strictly complied with the provisions regarding the management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

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

Corporate Governance Report

The Board of Directors adheres to the positioning of an urban commercial bank, insists on the strategic positioning of “based in Gansu and serving Longyuan” and the strategic goal of “listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region”, works hard on “five major areas” of technology finance, green finance, inclusive finance, elderly care finance, and digital finance, implements national and regional strategies, focuses on the Gansu market, and serves the local real economy. The Board builds a “1+4 culture,” with “value creation” as its cultural mission and “prudence, innovation, collaboration, and integrity” as its core values, to create value for the society, customers, shareholders, and the Bank based on the building of the “1+4 culture.”

(II) The Board Nomination and Diversity Policy

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

The nomination and remuneration committee of the Board is responsible for preparing the selection procedure and standard of the Directors, president and other senior management of the Bank and having preliminary review on the qualifications and conditions of Directors, president and other senior management. It reviews the structure, number of members, and composition (including the skills, knowledge and experience) of the Board of Directors and management according to the experiences, asset scale and shareholding structure of the Bank at least every year and makes recommendations to the Board of Directors relating to the proposed changes to the Board of Directors based on the Bank’s strategies.

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

Corporate Governance Report

During the Reporting Period, the Board of Directors of the Bank appointed one non-executive Director. When identifying the candidate for the member of the Board of Directors, the Bank will first select potential candidates within and beyond the social network of the members of the Board of Directors by means of referrals by its existing Directors, recommendations by third parties as well as by the Shareholders of the Company. Then, the suitability of these potential candidates shall be reviewed by the Bank through interview, background investigation, brief introduction and statement before the candidate for the Director is finalized. The Bank fully considered the importance of diversity of the members of the Board of Directors, took into comprehensive consideration of gender, age, cultural and educational background, region, professional skills, knowledge, tenure and other factors, and paid attention to the diversity, unique insights and valuable contributions that the candidate would bring to the Board of Directors by leveraging his/her experience and expertise. As of the Latest Practicable Date, the diversity analysis for the Board of Directors is as follows: currently, the ages of the members of the Board of Directors range from 44 to 59, and there are two females out of 13 Directors in total. The professional experiences and skills of the Directors cover banking, financial and accounting, finance, economics, law and other areas. The Board of Directors believes that, during the Reporting Period, its composition, membership background and procedures for selecting new Directors are in compliance with the requirements of the Diversification Policy for the Members of the Board of Directors.

The Board of Directors has actively working towards achieving diversity in terms of gender as well as at various other aspects. As for gender diversity, the Bank's Board of Directors currently consists of two female Directors, representing approximately 15% of the total number of Directors on the Board of Directors. The Bank will give due consideration to diversity when identifying candidates for directorships in the future and plans to increase the proportion of female Directors to no less than 20% by 2030. To maintain gender diversity on the Board of Directors in the coming years, the Bank will consider nominating female senior management personnel who possess the necessary skills and experience for directorship. Additionally, the Bank will prioritize gender diversity in its staff recruitment efforts.

Director	Gender	Age	Seniority	Banking	Accounting and finance major	Other majors	Directorship in other companies (number of companies)
Liu Qing	Male	59	41	✓			0
Wang Xizhen	Male	51	30	✓			0
Zhang Junping	Male	47	29		✓		0
Zhang Tingting	Female	46	24		✓		3
Ye Rong	Male	52	30		✓		1
Zhang Youda	Male	52	34		✓		0
Guo Jirong	Male	54	29		✓		1
Yang Chunmei	Female	47	24	✓			0
Dong Ximiao	Male	48	24	✓			3
Wang Tingting	Male	48	21			Economics	3
Liu Guanghua	Male	55	29			Law	0
Wang Lei	Male	44	11		✓		2
Hau Pak Sun	Male	44	22			Law	0

Corporate Governance Report

(III) General Meeting of the Bank

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

(i) 2023 Annual General Meeting

The annual general meeting of the Bank for 2023 was convened on June 27, 2024, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions

- (1) To consider and approve the resolution on the work report of the Board of Directors for 2023
- (2) To consider and approve the resolution on the work report of the Board of Supervisors for 2023
- (3) To consider and approve the resolution on the financial accounts and financial audit report for 2023
- (4) To consider and approve the resolution on the profit distribution plan for 2023
- (5) To consider and approve the resolution on the financial budget plan for 2024
- (6) To consider and approve the resolution on the annual report for 2023
- (7) To consider and approve the resolution on the re-appointment of Shinewing as the auditing firm
- (8) To consider and approve the resolution on the remuneration distribution and settlement results for Directors and Supervisors for 2023
- (9) To consider and approve the resolution on the report of the Board of Supervisors on the evaluation of duty performance by Directors, Supervisors, senior management and their members in 2023
- (10) To consider and approve the resolution on the work report of Independent Non-executive Directors for 2023
- (11) To consider and approve the resolution on the report on related-party transactions for 2023
- (12) To consider and approve the resolution on the report on the assessment of the basic information of substantial and major shareholders for 2023
- (13) To consider and approve the resolution on the amendments to the rules of procedure for the Board
- (14) To consider and approve the resolution on the amendments to the rules of procedure for Shareholders' general meeting

Corporate Governance Report

- (15) To consider and approve the resolution on the amendments to the Measures for Equity Management
- (16) To consider and approve the resolution on the amendments to the plan on authorization by Shareholders' general meeting to the Board of Directors
- (17) To consider and approve the resolutions on the proposed election of Mr. Ye Rong as a non-executive Director of the third session of the Board of Directors of the Bank

Special resolutions

- (18) To consider and approve the resolution on the general mandate to issue Shares
- (19) To consider and approve the resolution on the amendments to the Articles of Association
- (20) To consider and approve the resolution on public issuance of capital replenishment instruments

(IV) Board of Directors

The Board of Directors is core to the Bank's corporate governance and is accountable to the Shareholders as a whole. The Board of Directors is an independent decision-making body, which is responsible for implementing the resolutions of the Shareholders' general meeting, formulating the Bank's major strategy, policy and development plan, approving the operation plan, investment plan and internal management setup of the Bank, formulating the annual financial budget, final accounts and profit distribution plan and appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene specific daily affairs of operation and management. The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Corporate Governance Code.

Corporate Governance Report

(i) Composition of the Board of Directors

As of the Latest Practicable Date, the Board of Directors consists of 13 members, including:

Executive Directors:	Mr. Liu Qing, Mr. Wang Xizhen
Non-executive Directors:	Mr. Zhang Junping, Ms. Zhang Tingting, Mr. Ye Rong, Mr. Zhang Youda, Mr. Guo Jirong, Ms. Yang Chunmei
Independent non-executive Directors:	Mr. Dong Ximiao, Mr. Wang Tingting, Mr. Liu Guanghua, Mr. Wang Lei, Mr. Hau Pak Sun

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

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

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

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

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The nomination and remuneration committee of the Board of Directors is responsible for discussing and reviewing the qualification and experience of each candidate for Director and recommending the suitable candidates to the Board of Directors. After the approval of nomination resolution related to candidates from the Board of Directors, the selected candidates will be recommended for further approval by the Shareholders at a general meeting. As a banking institution regulated by the NAFR, the qualification of a candidate for the Bank's directorship shall also be approved by the NAFR.

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(iii) Relationships among Directors, Supervisors and Senior Management Members

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

(iv) Changes of Directors

For changes of Directors, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organizations – 2. Changes in Directors, Supervisors and Senior Management Members” of this annual report.

(v) Operation of the Board of Directors

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

Provided that sufficient protection is ensured for the expression of opinions by Directors, the Directors may pass resolutions at an extraordinary meeting of the Board of Directors by communication voting and the resolutions shall be signed by the participating Directors. The conditions and procedures of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors. The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings and the participating Directors and the recorder of minutes shall sign on such minutes. Directors attending the meeting are entitled to request an explanation on record to be made in respect of their verbal comments in the meetings.

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

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

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(vi) Functions and Powers of the Board of Directors

According to the Articles of Association, the Board of Directors exercises the following functions and powers:

- (1) to determine the Bank's business development strategies and oversee its implementation, determine the Bank's business plans and investment plans;
- (2) to consider the Bank's annual report and manage the Bank's external information disclosure;
- (3) to convene general meetings and report work to the general meeting;
- (4) to implement the resolutions of the general meeting;
- (5) to prepare the Bank's annual financial budgets plan, final accounts plan, and venture capital distribution plan;
- (6) to prepare the profit distribution plan and plan for making up the losses;
- (7) to assess and evaluate the performance of the Directors and senior management's duties and report the evaluation results to the general meeting by the Board of Supervisors ultimately;
- (8) to formulate plans for increase or reduction of the registered capital, issue of bonds or other securities and listing plan of the Bank;
- (9) to consider and approve the Bank's plans for external investments, acquisitions and sales of assets, asset collateral, external guarantees, entrusted wealth management, related transactions and data governance in accordance with the authorization of the general meeting;
- (10) to formulate plans for material acquisitions or repurchases of Shares of the Bank or merger, division, dissolution and alternation of corporate form of the Bank and submit it to the general meeting for approval;
- (11) to determine the establishment, merger and removal of the internal management department and branch offices of the Bank;
- (12) to consider and approve material related party transactions;
- (13) to appoint or dismiss the president of the Bank and the secretary of the Board of Directors in accordance with the nomination of the chairman of the Board; to appoint or dismiss other senior management such as the vice president of the Bank and the person in charge of finance in accordance with the nomination of the president of the Bank;
- (14) to formulate the Bank's capital plans, and assume the ultimate responsibility for capital or solvency management;
- (15) to determine the Bank's risk tolerance, risk management and internal management policies, assume the ultimate responsibility for comprehensive risk management, to formulate the Bank's main management system;

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- (16) to regularly assess and improve the Bank's corporate governance;
- (17) to formulate the basic management system of the Bank;
- (18) to formulate the amendment proposals to the Articles of Association, the rules of procedure for general meetings and the rules of procedure for Board of the Bank, and consider and approve the working rules of the special committees of the Board of Directors;
- (19) to be responsible for the Bank's information disclosure and be ultimately responsible for the truthfulness, accuracy, completeness and promptness of the Bank's accounting and financial reporting system;
- (20) to listen to the work report and examine the work of the president;
- (21) to approve the Bank's annual internal audit plans and audit budgets;
- (22) to determine the chairman and members of the respective special committees of the Board in accordance with the nomination of the nomination and remuneration committee;
- (23) to consider and approve the proposals put forward by the respective special committees of the Board;
- (24) to determine the Bank's long-term incentive schemes, remuneration plans and salary plans;
- (25) to request the general meeting to engage, reappoint or replace the accounting firm which conducts audit for the Bank;
- (26) to have the right to stop the decision made by the president and other senior management of the Bank that may cause significant business risk or loss to the Bank;
- (27) to carry out the performance appraisal for the president and other senior management of the Bank and determine their remuneration, rewards and penalties and payment methods and decide on the remuneration and payment methods of the independent Directors and external Supervisors;
- (28) to formulate the Bank's policy on the protection of consumer rights and interests, regularly listen to and consider the senior management's report on the protection of consumer rights and interests, to safeguard the legitimate rights and interests of financial consumers and other stakeholders;
- (29) to consider and approve the money laundering risk management report, develop money laundering risk management strategies and monitor the implementation of the strategies and assume the ultimate responsibility for money laundering risk management;
- (30) to establish the mechanisms for identifying, reviewing and managing conflicts of interest between the Bank and its shareholders, especially substantial shareholders;
- (31) to assume responsibility for management of shareholders' matters;

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- (32) other duties and powers conferred by the laws, administrative regulations, department rules and regulations, the Articles of Association and Shareholders' general meeting or required by the supervisory authority to the Board of Directors for exercise.

Unless otherwise stipulated in the Articles of Association, items 6, 8, 10, 12, 13, 14, 18, 24, 27 shall be passed by more than two-thirds of all Directors, and the rest shall be passed by more than half of all Directors when making the resolutions above.

(vii) Responsibilities of the Directors

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

In accordance with Code Provision B.1.4 of the Corporate Governance Code, the Bank has formulated the Rules of Procedure for Meetings of the Board of Directors to ensure that the Board has access to independent views and opinions, and reviews the effectiveness of such rules on an annual basis. All Directors have access to information from the Bank and, where appropriate, independent professional advice to perform their duties to the Bank at the Bank's expense. The independent non-executive Directors make full use of their respective professional expertise to provide professional and independent advice on the corporate governance, operation and management of the Bank.

The Bank also pays attention to the ongoing training of Directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities authorized by the relevant laws and regulatory requirements and the Articles of Association. The Bank has purchased director liability insurance for all Directors.

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

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended December 31, 2024. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended December 31, 2024, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

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(ix) Attendance at Meetings of the Board of Directors and General Meetings

During the Reporting Period, the Bank has convened 11 meetings (including teleconference) of the Board of Directors. Attendance of Directors at the meetings of the Board of Directors, meetings of Board committees and general meetings of the Bank during the Reporting Period are set out in the table as follows:

Directors	Number of meetings attended in person/attended by proxy/should be attended						General Meeting (actual attendance)
	Board of Directors	Strategy and Development Committee	Audit Committee	Nomination and Remuneration Committee	Transaction and Risk Management Committee	Consumer Rights Protection Committee	
Mr. Liu Qing	9/2/11	4/0/4	–	4/0/4	–	2/0/2	1/0/1
Mr. Wang Xizhen ⁽¹⁾	10/1/11	2/2/4	–	3/1/4	8/1/9	1/0/1	1/0/1
Mr. Zhang Junping	9/2/11	–	4/0/4	–	–	–	1/0/1
Ms. Zhang Tingting	11/0/11	–	–	–	–	2/0/2	1/0/1
Mr. Zhao Xingjun ⁽²⁾	3/1/4	2/0/2	–	–	–	–	0/0/0
Mr. Ye Rong ⁽³⁾	3/0/3	1/0/1	–	–	–	–	1/0/0
Mr. Zhang Youda	9/2/11	2/2/4	–	–	–	–	1/0/1
Mr. Guo Jirong	8/3/11	–	2/2/4	–	–	–	1/0/1
Ms. Yang Chunmei	11/0/11	–	–	–	–	2/0/2	1/0/1
Mr. Dong Ximiao ⁽⁴⁾	11/0/11	–	4/0/4	4/0/4	9/0/9	–	1/0/1
Mr. Wang Tingting	9/2/11	–	–	4/0/4	7/2/9	–	1/0/1
Mr. Liu Guanghua	11/0/11	–	–	–	9/0/9	2/0/2	1/0/1
Mr. Wang Lei ⁽⁵⁾	10/1/11	1/0/1	3/1/4	3/1/4	–	–	1/0/1
Mr. Hau Pak Sun	10/1/11	–	4/0/4	–	8/1/9	–	1/0/1

Notes:

- (1) Mr. Wang Xizhen has been a member of the consumer rights protection committee and its chairman since May 31, 2024.
- (2) Mr. Zhao Xingjun has resigned as a non-executive Director and a member of the strategy and development committee on May 31, 2024 due to work rearrangement.
- (3) Mr. Ye Rong has served as a non-executive Director of the Bank since September 19, 2024. During the period from the date of his appointment to December 31, 2024, the strategy and development committee of which he served only held one meeting.
- (4) As Mr. Dong Ximiao has served as an independent non-executive Director of the Bank for six consecutive years, pursuant to the relevant regulatory requirements of the PRC, Mr. Dong Ximiao has submitted to the Board to resign as an independent non-executive Director of the Bank, a member of the audit committee, a member of the related party transaction and risk management committee, and the chairman of the nomination and remuneration committee. Prior to the appointment of a new independent non-executive Director, Mr. Dong will continue to fulfill his duties as an independent non-executive Director and in the respective special committees of the Board. For details, please refer to the Bank's announcement dated April 18, 2024.
- (5) Mr. Wang Lei has served as a member of the strategy and development committee since August 29, 2024. During the period from the date of his appointment to December 31, 2024, the strategy and development committee in which he served only held one meeting.



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(x) Independent Non-executive Directors

The Board of Directors has appointed five independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the NAFR, the CSRC and the Hong Kong Listing Rules. The five independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Directors the annual confirmations of independence in writing under Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all the independent non-executive Directors have complied with the Hong Kong Listing Rules in respect of their independence.

The Bank's independent non-executive Directors represent the majority of the Bank's audit committee, nomination and remuneration committee, related party transaction and risk management committee and they serve as the chairman of these committees. Mr. Wang Lei, an independent non-executive Director, has appropriate accounting and relevant financial management expertise as required by the Hong Kong Listing Rules by virtue of her educational background and working experience.

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

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(xi) Continuing professional development plan for Directors

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

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. During the Reporting Period, trainings participated in by all Directors are as follows:

Directors	Contents of the trainings
Liu Qing, Wang Xizhen, Zhang Junping, Zhang Tingting, Zhao Xingjun, Zhang Youda, Guo Jirong, Yang Chunmei, Dong Ximiao, Wang Tingting, Liu Guanghua, Wang Lei, Hau Pak Sun	Special training on policy interpretation and economic and financial situation analysis of the National People's Congress and the Chinese People's Political Consultative Conference
Liu Qing, Wang Xizhen, Zhang Junping, Zhang Tingting, Zhao Xingjun, Zhang Youda, Guo Jirong, Yang Chunmei, Dong Ximiao, Wang Tingting, Liu Guanghua, Wang Lei, Hau Pak Sun	Special training on anti-money laundering
Liu Qing, Wang Xizhen, Zhang Junping, Zhang Tingting, Zhao Xingjun, Zhang Youda, Guo Jirong, Yang Chunmei, Dong Ximiao, Wang Tingting, Liu Guanghua, Wang Lei, Hau Pak Sun	Training on banking corporate governance
Liu Qing, Wang Xizhen, Zhang Junping, Zhang Tingting, Zhang Youda, Guo Jirong, Yang Chunmei, Dong Ximiao, Wang Tingting, Liu Guanghua, Wang Lei, Hau Pak Sun	2024 Banking Corporate Governance Quarterly Lecture 2
Liu Qing, Wang Xizhen, Zhang Junping, Zhang Tingting, Zhang Youda, Guo Jirong, Yang Chunmei, Dong Ximiao, Wang Tingting, Liu Guanghua, Wang Lei, Hau Pak Sun	Special training on expected credit loss method
Liu Qing, Wang Xizhen, Zhang Junping, Zhang Tingting, Ye Rong, Zhang Youda, Guo Jirong, Yang Chunmei, Dong Ximiao, Wang Tingting, Liu Guanghua, Wang Lei, Hau Pak Sun	2024 Banking Corporate Governance Quarterly Lecture 3
Liu Qing, Wang Xizhen, Zhang Junping, Zhang Tingting, Ye Rong, Zhang Youda, Guo Jirong, Yang Chunmei, Dong Ximiao, Wang Tingting, Liu Guanghua, Wang Lei, Hau Pak Sun	Special training on ESG information disclosure

During the Reporting Period, the Bank appointed Mr. Ye Rong as a non-executive Director with effect from September 19, 2024. Mr. Ye Rong obtained the legal opinion referred to in Rule 3.09D of the Hong Kong Listing Rules on August 28, 2024, and confirmed that he understood all the provisions of the Hong Kong Listing Rules applicable to him as a director of the Bank, and the possible consequences of making false statements or providing false information to the Hong Kong Stock Exchange.

The Bank will provide briefings on the latest developments of the Hong Kong Listing Rules and other applicable regulatory requirements to the Directors from time to time, to ensure that the Directors are aware of the latest regulatory development.

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(xii) Corporate governance functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practices and procedures for the Bank. During the Reporting Period and up to the date of this annual report, the Board of Directors has:

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

During the Reporting Period, the Board meeting considered and approved the following resolutions:

The Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd.; the Resolution on the Report of the Board of Directors on the Evaluation of Duty Performance by the Directors and Senior Management in 2023; the Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditor; the Resolution on the Work Report of the Board of Directors for 2023; the Resolution on the Interim Assessment Report on the Implementation of the Five-Year Development Strategy (2021-2025) of Bank of Gansu; the Resolution on the Formulation of the Management Measures for the Development Strategy Projects of Bank of Gansu; the Resolution on the 2023 Environmental, Social and Governance (ESG) Report; the Resolution on the Request for the Convening of the 2023 Annual General Meeting; the Resolution on the Work Report of Senior Management for 2023; the Resolution on the Integrated Business Plan for 2024; the Resolution on the Annual Report for 2023; the Resolution on the Final Financial Report and Financial Audit Report for 2023; the Resolution on the Profit Distribution Proposal for 2023; the Resolution on the Work Report of Internal Audit for 2023; the Resolution on the Audit Plan for 2024; the Resolution on the Internal Control Self-assessment Report for 2023; the Resolution on the Report on Work of Independent Directors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Directors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Executive Directors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Supervisors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2023; the Resolution on the Guidelines for Function Allocation, Internal Organization Setup, and Staffing for the Head Office and Branches of Bank of Gansu; the Resolution on the Assessment Report of the Basic Conditions of Major Shareholders and Substantial Shareholders for 2023; the Resolution on the Overall Risk Management Report for 2023; the Resolution on the Risk Appetite Statement and Risk Management Strategy for 2024; the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2023; the Resolution on the Work Report of Annual Internal Control, Compliance and Operational Risk Management for 2023; the Resolution on the Report on Particulars of Related-party Transactions for 2023; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Investment Co., Ltd.; the Resolution on the Report on Green Finance Business for 2023; the Resolution on the Work Report of Consumer Rights Protection for 2023; the

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Resolution on Formulating the Objectives, Strategies and Policies for the Protection of Bank of Gansu Consumer Rights and Interests; the Resolution on the Third Pillar Disclosure Report for the First Quarter of 2024; the Resolution on Public Offering of Capital Supplement Instruments; the Resolution on the Amendments to the Articles of Association of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Rules of Procedure of the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Rules of Procedure of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Administrative Measures of Equity of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Plan for Authorization to the Board of Directors by the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Plan for Authorization to the Management by the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Working Rules of the Related Party Transaction and Risk Management Committee of Gansu Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Public Transportation and General Aviation Tongding Highway Management Co., Ltd.; the Resolution on the Report on Application of Important Models and Adjustment of Key Parameters Related to Expected Credit Losses; the Resolution on the Report of the Status of Pre-Implementation Verification of the Expected Credit Loss Method Model for the First Half of 2024; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board; the Resolution on the Election of Non-executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on Annual Financial Budgets for 2024; the Resolution on the General Mandate to Issue Shares; the Resolution on the Market-based Transfer of Non-performing Assets in the Second Quarter of 2024 Constituting Related-party Transactions; the Resolution on the Market-based Transfer of the Non-performing Assets of Guangsha Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Interim Report for 2024; the Resolution on the semi-annual Third Pillar Disclosure Report of 2024; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board; the Resolution on the Overall Risk Management Report for the First Half of 2024; the Resolution on the Amendments to the Recovery Plan for 2024; the Resolution on the Amendments to the Overall Risk Management Measures of Bank of Gansu; the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2024; the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2024; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Supply Chain Management Co., Ltd.; the Resolution on the Major Related-party Transactions of RMB500 million of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of RMB780 million of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Investment Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Natural Ecological Environment Investment and Construction Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditor; the Resolution on the Application of Important Models and Adjustment of Key Parameters Related to Expected Credit Losses; the Resolution on the Report of the Status of Implementation Verification of the Expected Credit Loss Method Model for 2024; the Resolution on the Major Related-party Transactions of Gansu Assets Management Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets in the Fourth Quarter of 2024 Constituting Related-party Transactions; the Resolution on the Report of Digital Transformation for 2024; the Resolution on the Implementation of Data Governance for 2024; the Resolution on the Bulk Transfer of Non-performing Corporate Loans in the Fourth Quarter of 2024 Constituting Related-party Transactions.

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(xiii) Board Committees

The Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, the Articles of Association and the Hong Kong Listing Rules, the Bank has formed five Board committees, namely the strategy and development committee, audit committee, nomination and remuneration committee, related party transaction and risk management committee and consumer rights protection committee.

(A) *Strategy and Development Committee*

During the Reporting Period, the strategy and development committee consists of Mr. Liu Qing (executive Director), Mr. Wang Xizhen (executive Director), Mr. Zhao Xingjun (non-executive Director, resigned on May 31, 2024), Mr. Ye Rong (non-executive Director, appointed on September 19, 2024), Mr. Zhang Youda (non-executive Director) and Mr. Wang Lei (independent non-executive Director, appointed as a member of the strategy and development committee on August 29, 2024). Mr. Liu Qing served as the chairman of the strategy and development committee.

The principal responsibilities of the strategy and development committee include but are not limited to:

- to formulate the operation objectives of the Bank;
- to formulate the environmental, social and governance (ESG) related objectives, medium- and long-term development strategy and management approach of the Bank, and supervise the implementation of the relevant objectives; and
- to supervise and review the execution condition of annual business plans and investment plans of the Bank.

During the Reporting Period, the strategy and development committee held 4 meetings in total, at which the Resolution on the Interim Assessment Report on the Implementation of the Five-Year Development Strategy (2021-2025) of Bank of Gansu, the Resolution on the Completion, Change and Termination of Certain Strategic Implementation Projects, the Resolution on the Formulation of the Management Measures for the Development Strategy Projects of Bank of Gansu, the Resolution on Formulating the Assessment and Incentive Rules for Strategy Implementation of Bank of Gansu for 2024, the Resolution on the 2023 Environmental, Social and Governance (ESG) Report, the Resolution on the Work Report of Senior Management for 2023, the Resolution on the Integrated Business Plan for 2024, the Resolution on the Report on Green Finance Business for 2023, the Resolution on Public Offering of Capital Supplement Instruments, the Resolution on the Amendments to the Articles of Association of Bank of Gansu Co., Ltd., the Resolution on the Amendments to the Rules of Procedure of the General Meeting of Bank of Gansu Co., Ltd., the Resolution on the Amendments to the Rules of Procedure of the Board of Directors of Bank of Gansu Co., Ltd., the Resolution on the Amendments to the Administrative Measures of Equity of Bank of Gansu Co., Ltd., the Resolution on the Amendments to the Plan for Authorization to the Board of Directors by the General Meeting of Bank of Gansu Co., Ltd., the Resolution on the Amendments to the Plan for Authorization to the Management by the Board of Directors of Bank of Gansu Co., Ltd., the Resolution on Annual Financial Budgets for 2024, the Resolution on the General Mandate to Issue Shares, the Resolution on the Report of the Digital Transformation for 2024, and the Resolution on the Report of Data Governance for 2024 were considered and approved.

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(B) *Audit Committee*

During the Reporting Period, the audit committee consists of Mr. Zhang Junping (non-executive Director), Mr. Guo Jirong (non-executive Director), Mr. Dong Ximiao (independent non-executive Director), Mr. Wang Lei (independent non-executive Director) and Mr. Hau Pak Sun (independent non-executive Director). Mr. Wang Lei is the chairman of the audit committee.

The principal responsibilities of the audit committee include but are not limited to:

- to review the accounting policy, financial condition, financial reports, risk and compliance condition of the Bank;
- to propose to employ or replace external audit agency;
- to supervise the internal audit system and its implementation of the Bank;
- to coordinate the communication between internal audit and external audit; and
- to guarantee the authenticity, accuracy and completeness of audited financial information of the Bank.

During the Reporting Period, the audit committee held 4 meetings in total, at which the Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditing Firm; the Resolution on the Annual Report for 2023; the Resolution on the Final Financial Report and Financial Audit Report for 2023; the Resolution on the Profit Distribution Proposal for 2023; the Resolution on the Work Report of Internal Audit for 2023; the Resolution on the Audit Plan for 2024; the Resolution on the Internal Control Self-assessment Report for 2023; the Resolution on the Interim Report for 2024; the Resolution on the Third Pillar Disclosure Report for the First Half of 2024; and the Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditing Firm were considered and approved.

(C) *Nomination and Remuneration Committee*

During the Reporting Period, the nomination and remuneration committee consists of Mr. Liu Qing (executive Director), Mr. Wang Xizhen (executive Director), Mr. Dong Ximiao (independent non-executive Director), Mr. Wang Tingting (independent non-executive Director) and Mr. Wang Lei (independent non-executive Director). Mr. Dong Ximiao served as the chairman of the nomination and remuneration committee.

The principal responsibilities of the nomination and remuneration committee include but are not limited to: Responsibilities regarding nomination:

- submitting proposals to the Board of Directors in relation to the formation of the Board of Directors based on the business condition, asset size and equity structure of the Bank;
- formulating the procedures and the standards for election of Directors, president and other senior management of the Bank, and submitting the relevant proposals to the Board of Directors;

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- conducting initial review of the qualifications and credentials of the Directors, president and other senior management, and providing review comments;
- assessing the independence of independent non-executive Directors; and
- developing and, where appropriate, reviewing the Board diversity policy and disclosing the relevant policies or their abstracts in the annual reports. For the summary of the Board diversity policy of the Bank and the implementation thereof, please refer to “2. Corporate Governance – (II) The Board Nomination and Diversity Policy” of this section.

Responsibilities regarding remuneration and evaluation:

- making recommendations to the Board of Directors on the remuneration of Directors, Supervisors, president and other senior management, and supervising the implementation of the proposals;
- making recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior management, and the remuneration of non-executive Directors;
- based on the remuneration offered by companies of similar nature, time needed and responsibilities, proposing the employment terms for other positions within the Bank; and
- assessing fulfillment of duties and responsibilities by Directors and senior management and evaluating their annual performance.

During the Reporting Period, the nomination and remuneration committee held 4 meetings in total, at which the Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd., the Resolution on the Report of the Board of Directors on the Evaluation of Duty Performance by the Directors and Senior Management in 2023, the Resolution on the Report on Work of Independent Directors in 2023, the Resolution on the Remuneration Distribution and Settlement Results for Directors in 2023, the Resolution on the Remuneration Distribution and Settlement Results for Supervisors in 2023, the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2023, the Resolution on the Guidelines for Function Allocation, Internal Organization Setup, and Staffing for the Head Office and Branches of Bank of Gansu, the Resolution on the Addition of Members of Special Committees under the Third Session of the Board, the Resolution on the Election of Non-executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd. were considered and approved.

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(D) *Related Party Transaction and Risk Management Committee*

During the Reporting Period, the related party transaction and risk management committee consists of Mr. Wang Xizhen (executive Director), Mr. Dong Ximiao (independent non-executive Director), Mr. Wang Tingting (independent non-executive Director), Mr. Liu Guanghua (independent non-executive Director) and Mr. Hau Pak Sun (independent non-executive Director). Mr. Liu Guanghua served as the chairman of the related party transaction and risk management committee.


The principal responsibilities of the related party transaction and risk management committee include but are not limited to:

Responsibilities regarding management of related party transaction:

- examining and approving the related party transaction within the scope of authorization set by the Board of Directors, or accepting the filing of such related party transaction; and
- assessing the related party transaction outside the scope of authority set by the Board of Directors, and seeking for the approval of such related party transaction by the Board of Directors.

Responsibilities regarding risk management:

- supervising the management of risks by the Bank's senior management;
- evaluating the Bank's risk profile;
- making recommendations regarding the Bank's risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties to establish effective systems;
- reviewing the effectiveness of the internal audit work of the Bank; and
- actively or as appointed by the Board of Directors, conducting research on key investigation results relating to risk management matters and responses of management to investigation results.



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During the Reporting Period, the related party transaction and risk management committee held 9 meetings in total, at which the Resolution on the Report on the Assessment of the Basic Information of the Substantial Shareholders and Major Shareholders for 2023, the Resolution on the Overall Risk Management Report for 2023, the Resolution on the Risk Appetite Statement and the Risk Management Strategy for 2024, the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2023, the Resolution on the Work Report on Internal Control, Compliance and Operational Risk Management for 2023, the Resolution on the Report on Particulars of Related-party Transactions for 2023, the Resolution on the Material Related-party Transactions of Gansu Financial Holding Investment Co. Ltd., the Resolution on the Amendments to the Working Rules of the Related Party Transaction and Risk Management Committee of Gansu Co., Ltd., the Resolution on the Major Related-party Transactions of Gansu Public Transportation and General Aviation Tongding Highway Management Co., Ltd., the Resolution on the Report of the Implementation of Relevant Key Models for and Adjustments to Key Parameters of the Expected Credit Loss Method, the Resolution on the Report of the Status of Pre-Implementation Verification of the Expected Credit Loss Method Model for the First Half of 2024, the Resolution on the Market-based Transfer of Non-performing Assets in the Second Quarter of 2024 Constituting Related-party Transactions, the Resolution on the Market-based Transfer of the Non-performing Assets of Guangsha Holding Group Co., Ltd., the Resolution on the Material Related-party Transactions of Gansu Financial Holding Group Co., Ltd., the Resolution on the Overall Risk Management Report for the First Half of 2024, the Resolution on Amendments to the Recovery Plan for 2024, the Resolution on the Amendments to the Overall Risk Management Measures of Bank of Gansu, the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2024, the Resolution on the Major Related-party Transactions of Gansu Financial Holding Supply Chain Management Co., Ltd., the Resolution on the Major Related-party Transactions of RMB500 million of Gansu Financial Holding Group Co., Ltd., the Resolution on the Major Related-party Transactions of RMB780 million of Gansu Financial Holding Group Co., Ltd., the Resolution on the Material Related-party Transactions of Gansu Financial Holding Investment Co., Ltd., the Resolution on the Material Related-party Transactions of Gansu Financial Holding Natural Ecological Environment Investment and Construction Co. Ltd., the Resolution on the Major Related-party Transactions of Gansu Financial Holding Group Co., Ltd., the Resolution on the Report of the Implementation of Relevant Key Models for and Adjustments to Key Parameters of the Expected Credit Loss Method, the Resolution on the Report of the Status of Implementation Verification of the Expected Credit Loss Method Model for 2024, the Resolution on the Major Related-party Transactions of Gansu Assets Management Co., Ltd., the Resolution on the Market-based Transfer of Non-performing Assets in the Fourth Quarter of 2024 Constituting Related-party Transactions, the Resolution on the Bulk Transfer of Non-performing Corporate Loans in the Fourth Quarter of 2024 Constituting Related-party Transactions were considered and approved.

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(E) *Consumer Rights Protection Committee*

During the Reporting Period, the consumer rights protection committee consists of Mr. Liu Qing (executive Director), Mr. Wang Xizhen (executive Director, chairman of the consumer rights protection committee since May 31, 2024), Ms. Zhang Tingting (non-executive Director), Ms. Yang Chunmei (non-executive Director) and Mr. Liu Guanghua (independent non-executive Director). After the resignation of Mr. Chen Jinhui (former non-executive Director) as the chairman of the consumer rights protection committee on October 10, 2023, the consumer rights protection committee had no chairman before May 31, 2024. Mr. Wang Xizhen has served as the chairman of the consumer rights protection committee since May 31, 2024.

The principal responsibilities of the consumer rights protection committee include but are not limited to:

- formulating strategies, policies and objectives of the Bank's consumer rights protection work and incorporating contents relating to consumer rights protection into our corporate governance and business development strategies;
- supervising our senior management to effectively implement consumer rights protection work;
- periodically listening to our senior management's special reports on consumer rights protection work;
- supervising and evaluating the comprehensiveness, promptness and effectiveness of the Bank's consumer rights protection work and the performance of our senior management in this respect; and
- reviewing and providing comments on proposals in relation to consumer rights protection to be submitted to the Board in accordance with the Bank's overall strategies.

During the Reporting Period, the consumer rights protection committee held 2 meetings in total, at which the Resolution on the Work Report of Consumer Rights Protection for 2023; the Resolution on the Formulation of Objectives, Strategies and Policies on Consumer Rights Protection of Bank of Gansu; and the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2024 were considered and approved.

(xiv) **Overview of the annual audit work of the Bank**

Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited (collectively as "Shinewing") carried out the 2024 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, Shinewing conducted the audit on internal control, carried out internal control test at the Bank's level and business process level, and evaluated the effectiveness of the internal control design and whether it has been effectively implemented during the audit. Through the interview, Shinewing understood the Bank's control environment, the main operation conditions, business innovation, system updates and fraud risk. Shinewing conducted a preliminary audit on major subjects of financial statements such as financial instruments, operating income, investment income and carried out preliminary testing. Shinewing also made a testing and evaluation on the main information system used by the Bank and discussed timely the findings of preliminary audit with the Bank's management. During year-end audit, Shinewing followed up the findings on the preliminary audit and conducted detailed audit procedures for all major subjects, and communicated timely the findings of year-end audit with the Bank's management.

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In order to successfully complete the audit work in 2024 and issue relevant audit reports with scheduled time, the audit committee of the Board of Directors authorized the finance department of the Bank to discuss with Shinewing about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the auditor's report, etc. During the audited period, the audit committee made multiple rounds of supervision. On March 28, 2025, Shinewing issued the standard unqualified auditor's reports to the Bank within the scheduled time.

The audit committee reviewed the independence, objectivity and audit procedure of Shinewing to ensure that the financial reports issued give a true and fair view. Shinewing has taken the necessary protective measures in accordance with the relevant ethical requirements to prevent possible threats to independence.

(V) Board of Supervisors

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

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

(i) Composition of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall comprise Shareholder Supervisors, employee representative Supervisors and external Supervisors. The number of the employee representative Supervisors of the Bank shall not be less than 1/3 of the total number of the Supervisors. During the Reporting Period and up to the date of this annual report, the members of the Board of Supervisors are as follows:

- Mr. Zhang Yanlong (Shareholder Supervisor, resigned on March 28, 2025)
- Mr. Han Zhenjiang (Shareholder Supervisor, resigned on March 28, 2025)
- Mr. Zeng Lehu (Shareholder Supervisor, resigned on March 28, 2025)
- Mr. Luo Yi (External Supervisor)
- Mr. Ma Runping (External Supervisor)
- Mr. Li Zongyi (External Supervisor)
- Mr. Wang Xiaopei (Employee representative Supervisor)
- Mr. Liu Peixun (Employee representative Supervisor)

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(ii) Chairman of the Board of Supervisors

The former chairman of the Board of Supervisors of the Bank was Ms. Tang Lan. Following the resignation of Ms. Tang Lan as the chairman of the Board of Supervisors on June 8, 2023, the Bank has not appointed a successor chairperson. During the Reporting Period, the supervisors of the Bank have elected Mr. Liu Peixun, a supervisor of the Bank, to convene and preside over meetings of the Board of Supervisors before the newly appointed chairman of the Board of Supervisors formally assumes his/her role. The Bank is looking for a suitable candidate to succeed the position of Ms. Tang Lan and will make a further announcement in due course.

The chairman of the Board of Supervisors shall have the following duties and powers:

- to convene and preside over meetings of the Board of Supervisors;
- to urge and check the implementation of the resolutions of the Board of Supervisors;
- to review and sign reports of the Board of Supervisors and other important documents;
- to report work to the general meetings on behalf of the Board of Supervisors;
- to organize the Board of Supervisors to fulfill obligations; and
- other duties and powers as provided for in laws, administrative regulations and Articles of Association.

(iii) Changes of Supervisors

During the Reporting Period, there is no change on the members of the Board of Supervisors of the Bank.

Mr. Zhang Yanlong resigned as a shareholder Supervisor and a member of the nomination committee of the Board of Supervisors of the Bank on March 28, 2025. Mr. Han Zhenjiang resigned as a shareholder Supervisor and a member of the supervisory committee of the Board of Supervisors of the Bank on March 28, 2025. Mr. Zeng Lehu resigned as a shareholder Supervisor and a member of the nomination committee of the Board of Supervisors of the Bank on March 28, 2025.

(iv) Responsibilities of the Board of Supervisors

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

- (1) to review the Bank's report periodically prepared by the Board and give written audit opinions;
- (2) to examine and supervise the Bank's financial affairs;
- (3) to monitor the Directors and senior officers in the performance of their duties, make recommendations on the removal of Directors, president and other senior management who violate the laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders' general meeting;
- (4) to demand rectification from a Director, president and other senior officers when the acts of such persons are detrimental to the interests of the Bank;

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- (5) to review financial information such as the financial reports, operation reports and profit distribution plans proposed to be submitted by the Board to general meetings; if any queries arise, it may authorize the registered certified public accountants and certified public auditors in the name of the Bank for review;
- (6) to propose to convene an extraordinary general meeting; to convene and preside over the Shareholders' general meeting when the Board of Directors fails to perform the duties of convening and presiding over the general meeting as set out in the Articles of Association;
- (7) to make proposal to the Shareholders' general meeting;
- (8) to assess and evaluate the Supervisors for performance of their duties and report to the Shareholders' general meeting;
- (9) to report to the Shareholders' general meeting;
- (10) to supervise and require rectification regarding the Bank's business decision-making, risk management and internal control;
- (11) to supervise the Bank's internal audit;
- (12) to undertake the resignation audit of Directors and senior officers as required;
- (13) to negotiate with the Directors or file a lawsuit against the Directors and senior officers on behalf of the Bank in accordance with the provisions of the PRC Company Law;
- (14) to investigate any abnormality found in operations of the Bank, and when necessary, to engage such professionals as accountant firms or law firms to assist in the work, at the expense of the Bank;
- (15) to propose any remuneration (or allowance) arrangement of a Supervisor;
- (16) to supervise the Directors and senior management personnel in the performance of the anti-money laundering duties according to law and to evaluate the Directors and senior officers in the performance of the risk management of money laundering, and report to the Shareholders' general meeting; and
- (17) other duties and powers as provided in the laws, administrative regulations, and the Articles of Association or conferred by the general meetings.

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

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

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

(v) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 11 meetings and there was no objection to the matters concerning the supervision of the Board of Supervisors. The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

Supervisors	attended in person	attended by proxy	Number of meetings should be attended
Mr. Zhang Yanlong	10	1	11
Mr. Han Zhenjiang	10	1	11
Mr. Zeng Lehu	11	0	11
Mr. Luo Yi	10	1	11
Mr. Ma Runping	11	0	11
Mr. Li Zongyi	10	1	11
Mr. Wang Xiaopei	9	2	11
Mr. Liu Peixun	10	1	11

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During the Reporting Period, the Board of Supervisors had considered and approved the following resolutions:

The Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd.; the Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditor; the Resolution on the Work Report of the Board of Supervisors for 2023; the Resolution on the Report of the Board of Supervisors on the Performance Assessment of the Board of Directors, the Board of Supervisors and the Senior Management and Their Members for 2023; the Resolution on the Work Report of the Board of Directors for 2023; the Resolution on the Interim Assessment Report on the Implementation of the Five-Year Development Strategy (2021-2025) of Bank of Gansu; the Resolution on the Formulation of the Management Measures for the Development Strategy Projects of Bank of Gansu; the Resolution on the 2023 Environmental, Social and Governance (ESG) Report; the Resolution on the Request for the Convening of the 2023 Annual General Meeting; the Resolution on the Work Report of Senior Management for 2023; the Resolution on the Integrated Business Plan for 2024; the Resolution on the Annual Report for 2023; the Resolution on the Final Financial Report and Financial Audit Report for 2023; the Resolution on the Profit Distribution Proposal for 2023; the Resolution on the Work Report of Internal Audit for 2023; the Resolution on the Audit Plan for 2024; the Resolution on the Internal Control Self-assessment Report for 2023; the Resolution on the Report on Work of Independent Directors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Directors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Supervisors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2023; the Resolution on the Guidelines for Function Allocation, Internal Organization Setup, and Staffing for the Head Office and Branches of Bank of Gansu; the Resolution on the Assessment Report of the Basic Conditions of Major Shareholders and Substantial Shareholders for 2023; the Resolution on the Overall Risk Management Report for 2023; the Resolution on the Risk Appetite Statement and Risk Management Strategy for 2024; the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2023; the Resolution on the Work Report of Annual Internal Control, Compliance and Operational Risk Management for 2023; the Resolution on the Report on Particulars of Related-party Transactions for 2023; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Investment Co., Ltd.; the Resolution on the Report on Green Finance Business for 2023; the Resolution on the Work Report of Consumer Rights Protection for 2023; the Resolution on Formulating the Objectives, Strategies and Policies for the Protection of Bank of Gansu Consumer Rights and Interests; the Resolution on the Third Pillar Disclosure Report for the First Quarter of 2024; the Resolution on Public Offering of Capital Supplement Instruments; the Resolution on the Amendments to the Articles of Association of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Rules of Procedure of the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Rules of Procedure

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of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Administrative Measures of Equity of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Plan for Authorization to the Board of Directors by the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Plan for Authorization to the Management by the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Working Rules of the Related Party Transaction and Risk Management Committee of Gansu Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Public Transportation and General Aviation Tongding Highway Management Co., Ltd.; the Resolution on the Report on Application of Important Models and Adjustment of Key Parameters Related to Expected Credit Losses; the Resolution on the Report of the Status of Pre-Implementation Verification of the Expected Credit Loss Method Model for the First Half of 2024; the Resolution on the Election of the Chairman of the Consumer Rights Protection Committee under the Third Session of the Board; the Resolution on the Election of Non-executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Interim Report for 2024; the Resolution on the Third Pillar Disclosure Report for the First Half of 2024; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board; the Resolution on the Overall Risk Management Report for the First Half of 2024; the Resolution on the Recovery Plan for 2024; the Resolution on the Amendments to the Overall Risk Management Measures of Bank of Gansu; the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2024; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Supply Chain Management Co., Ltd.; the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2024; the Resolution on the Major Related-party Transactions of RMB500 million of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of RMB780 million of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Investment Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Natural Ecological Environment Investment and Construction Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditor; the Resolution on the Application of Important Models and Adjustment of Key Parameters Related to Expected Credit Losses; the Resolution on the Report of the Status of Implementation Verification of the Expected Credit Loss Method Model for 2024; the Resolution on the Major Related-party Transactions of Gansu Assets Management Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets in the Fourth Quarter of 2024 Constituting Related-party Transactions; the Resolution on the Report of Digital Transformation for 2024; the Resolution on the Implementation of Data Governance for 2024; the Resolution on the Bulk Transfer of Non-performing Corporate Loans in the Fourth Quarter of 2024 Constituting Related-party Transactions.

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(vi) Attendance at the general meetings

During the Reporting Period, the Board of Supervisors designated representatives to attend the annual general meeting of the Bank. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the annual general meeting.

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

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

(viii) Committees under the Board of Supervisors

The Board of Supervisors has established two committees, namely the supervisory committee and the nomination committee. These committees operate in accordance with the rules of procedures formulated by the Board of Supervisors.

Supervisory Committee

During the Reporting Period, the supervisory committee consists of 4 Supervisors, being Mr. Han Zhenjiang, Mr. Li Zongyi, Mr. Liu Peixun, and Mr. Ma Runping. Mr. Li Zongyi is the chairman of the supervisory committee. The principal responsibilities of the supervisory committee include: supervising the Board of Directors in formulating prudent business philosophies and development strategies; formulating and coordinating the implementation of internal inspection and special audit plans with respect to our business decision-making, financial activities, risk management and internal controls; formulating and coordinating the implementation of investigation plans for major emergencies and risk events based on the authorization of our Board of Supervisors; and communicating with external auditors regarding preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.

The supervisory committee convened a total of 11 meetings during the Reporting Period, at which the following resolutions were considered and approved:

The Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditor; the Resolution on the Work Report of the Board of Supervisors for 2023; the Resolution on the Report of the Board of Supervisors on the Performance Assessment of the Board of Directors, the Board of Supervisors and the Senior Management and Their Members for 2023; the Resolution on the Work Report of the Board of Directors for 2023; the Resolution on the Interim Assessment Report on the Implementation of the Five-Year Development Strategy (2021-2025) of Bank of Gansu; the Resolution on the Formulation of the Management Measures for the Development Strategy Projects of Bank of Gansu; the Resolution on the 2023 Environmental, Social and Governance (ESG) Report; the Resolution on the Request for the Convening of the 2023 Annual General Meeting; the Resolution on the Work Report of Senior Management for 2023; the Resolution on the Integrated Business Plan for 2024; the Resolution on the Annual Report for 2023; the Resolution on the Final Financial Report and Financial Audit Report for 2023; the Resolution on the Profit Distribution Proposal for 2023; the Resolution on the Work Report of Internal Audit for 2023; the Resolution on the Audit Plan for 2024; the Resolution on the Internal Control Self-assessment Report for 2023; the Resolution on the Report on Work of Independent Directors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Directors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Supervisors in 2023; the Resolution on the Remuneration Distribution and Settlement Results for Senior Management in 2023; the Resolution on the Guidelines for Function Allocation, Internal Organization Setup, and Staffing for the Head Office and Branches of Bank of

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Gansu; the Resolution on the Assessment Report of the Basic Conditions of Major Shareholders and Substantial Shareholders for 2023; the Resolution on the Overall Risk Management Report for 2023; the Resolution on the Risk Appetite Statement and Risk Management Strategy for 2024; the Resolution on the Work Report on Anti-money Laundering and Anti-terrorist Financing for 2023; the Resolution on the Work Report of Annual Internal Control, Compliance and Operational Risk Management for 2023; the Resolution on the Report on Particulars of Related-party Transactions for 2023; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Investment Co., Ltd.; the Resolution on the Report on Green Finance Business for 2023; the Resolution on the Work Report of Consumer Rights Protection for 2023; the Resolution on Formulating the Objectives, Strategies and Policies for the Protection of Bank of Gansu Consumer Rights and Interests; the Resolution on the Third Pillar Disclosure Report for the First Quarter of 2024; the Resolution on Public Offering of Capital Supplement Instruments; the Resolution on the Amendments to the Articles of Association of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Rules of Procedure of the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Rules of Procedure of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Administrative Measures of Equity of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Plan for Authorization to the Board of Directors by the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Plan for Authorization to the Management by the General Meeting of Bank of Gansu Co., Ltd.; the Resolution on the Amendments to the Working Rules of the Related Party Transaction and Risk Management Committee of Gansu Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Public Transportation and General Aviation Tongding Highway Management Co., Ltd.; the Resolution on the Report on Application of Important Models and Adjustment of Key Parameters Related to Expected Credit Losses; the Resolution on the Report of the Status of Pre-Implementation Verification of the Expected Credit Loss Method Model for the First Half of 2024; the Resolution on Annual Financial Budgets for 2024; the Resolution on the General Mandate to Issue Shares; the Resolution on the Market-based Transfer of Non-performing Assets in the Second Quarter of 2024 Constituting Related-party Transactions; the Resolution on the Transfer Plan of the Non-performing Assets of Guangsha Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Interim Report for 2024; the Resolution on the Third Pillar Disclosure Report for the First Half of 2024; the Resolution on the Overall Risk Management Report for the First Half of 2024; the Resolution on the Recovery Plan for 2024; the Resolution on the Amendments to the Overall Risk Management Measures of Bank of Gansu; the Resolution on the Report on Particulars of Related-party Transactions for the First Half of 2024; the Resolution on the Work Report of Consumer Rights Protection for the First Half of 2024; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Supply Chain Management Co., Ltd.; the Resolution on the Major Related-party Transactions of RMB500 million of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of RMB780 million of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Investment Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Natural Ecological Environment Investment and Construction Co., Ltd.; the Resolution on the Major Related-party Transactions of Gansu Financial Holding Group Co., Ltd.; the Resolution on the Re-appointment of Shinewing Certified Public Accountants LLP as the Auditor; the Resolution on the Application of Important Models and Adjustment of Key Parameters Related to Expected Credit Losses; the Resolution on the Report of the Status of Implementation Verification of the Expected Credit Loss Method Model for 2024; the Resolution on the Major Related-party Transactions of Gansu Assets Management Co., Ltd.; the Resolution on the Market-based Transfer of Non-performing Assets in the Fourth Quarter of 2024 Constituting Related-party Transactions; the Resolution on the Report of Digital Transformation for 2024; the Resolution on the Implementation of Data Governance for 2024; the Resolution on the Bulk Transfer of Non-performing Corporate Loans in the Fourth Quarter of 2024 Constituting Related-party Transactions.

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Nomination Committee

During the Reporting Period, the nomination committee consists of 4 Supervisors, being Mr. Zhang Yanlong, Mr. Zeng Lehu, Mr. Luo Yi and Mr. Wang Xiaopei. The chairman of the nomination committee is Mr. Luo Yi. The principal responsibilities of the nomination committee include: formulating procedures and standards concerning election and appointment of Supervisors, conducting preliminary review on the qualifications of candidates for Supervisors, and submitting proposals to the Board of Supervisors; supervising the process of election and appointment of the Directors; performing comprehensive evaluation of Directors, Supervisors and senior management and reporting the results of evaluation to the Board of Supervisors; and supervising the objectivity and reasonableness of the remuneration management systems and policies and remuneration plans for senior management.

The nomination committee held 3 meetings during the Reporting Period, at which the following resolutions were considered and approved:

The Resolution on the Appointment of Vice President of Bank of Gansu Co., Ltd.; the Resolution on the Election of the Chairman of the Consumer Rights Protection Committee under the Third Session of the Board; the Resolution on the Election of Non-executive Directors of the Third Session of the Board of Directors of Bank of Gansu Co., Ltd.; the Resolution on the Addition of Members of Special Committees under the Third Session of the Board.

(ix) Work performed by External Supervisors

The chairmen of the supervisory committee and the nomination committee of the Board of Supervisors are served by external Supervisors, which strengthens the role of external Supervisors in performing assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the Bank's management quality and governance structure.

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

(VI) Senior Management

Under the leadership of the Board of Directors, the president and other senior management of the Bank shall operate and manage the Bank in accordance with the relevant laws and regulations, the Articles of Association and the authorization of Board of Directors. In accordance with the Articles of Association, the president of the Bank shall be nominated, appointed or dismissed by the Board of Directors. Moreover, the Bank has one president and several vice presidents. The vice president and other senior management are nominated by the president, appointed or dismissed by the Board of Directors. The qualifications of the president and other senior management shall be reviewed and approved by the regulatory authority of banking in China.

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As at the date of this annual report, the senior management of the Bank includes:

- Mr. Wang Xizhen (President)
- Ms. Hao Jumei (Vice President, Secretary to the Board)
- Mr. Du Jing (Vice President)
- Mr. Sun Xiaoming (Vice President)
- Mr. Duan Jianxing (Chief Information Officer)

The president of the Bank shall be responsible to the Board of Directors. The president shall operate and manage the Bank in accordance with the laws, regulations, the Articles of Association and the authorization of the Board of Directors. The vice president shall assist with the president and perform the responsibilities as per the relevant authorizations.

The president of the Bank has the following powers and duties:

- (1) to manage the business operations of the Bank and report work to the Board;
- (2) to implement resolutions of the Board;
- (3) to prepare plans for the establishment of internal management structure of the Bank;
- (4) to establish the basic management system of the Bank and to formulate the Bank's specific rules and regulations;
- (5) to appoint or remove the head of the functional departments and the branches other than those required to be appointed or removed by the Board;
- (6) to propose to the Board for the appointment or removal of the vice president and other senior officers of the Bank;
- (7) to authorize the vice president and other senior officers, the person in charge of the internal functional departments and branches to be engaged in business management activities;
- (8) to submit to the Board the annual business plan and investment plan of the Bank, the annual financial budget, the final accounting plan and the profit distribution plan of the Bank on behalf of the senior management, and organize the implementation after approval;
- (9) to determine the salary, welfare, reward, punishment and other incentive and restraint programs and implement them after the approval of the Board of Directors;
- (10) to decide on the appointment and dismissal of employees of the Bank other than senior officers;

Corporate Governance Report

- (11) to take urgent measures in the event of a major incident in the Bank and to report immediately to the Board of Directors, the Board of Supervisors and the banking regulatory authorities and the local branches of the PBOC;
- (12) in exceptional circumstances, to propose an extraordinary meeting of the Board of Directors; and
- (13) other powers which are to be exercised by the president in accordance with the laws, regulations and the provisions of the Articles of Association or the power to be exercised by the president as authorized by the Board. The president and vice presidents who are not Directors may attend meetings of the Board of Directors, but have no voting rights at such meetings.

Remuneration paid to the senior management (excluding the members of senior management who concurrently served as Directors) for the year ended December 31, 2024 is set out as follows:

Remuneration bands	Number of persons
Below RMB0.8 million	7
RMB0.8 million – RMB1.0 million	1

(VII) Chairman of the Board of Directors and the President

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

Mr. Liu Qing was appointed as an executive Director and the chairman of the Board of Directors on December 3, 2018, responsible for the overall strategic planning and management of the Board of Directors to ensure the effective operation of the Board of Directors and that all Directors are aware of the current issues and that each issue could be discussed in a timely and constructively manner. To assist the Board of Directors in discussing all important or other related matters, the chairman of the Board of Directors works with the Bank's senior management to ensure that all Directors receive timely, appropriate, complete and reliable information for their consideration and review.

On June 1, 2022, the Board considered and approved the appointment of Mr. Wang Xizhen as the president of the Bank, with the term from October 17, 2022 (i.e. the date on which his qualification for the position was approved by the CBIRC Gansu Office) until the expiry of the third session of the Board of the Bank. The president of the Bank is responsible for the operation of business, the implementation of the strategies and business plans of the Bank. The president of the Bank, being nominated by the chairman of the Board of Directors and appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the Articles of Association and within the authorization by the Board of Directors.

Corporate Governance Report

(VIII) Securities Transactions by Directors, Supervisors and Senior Management

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

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

(IX) External Auditors and Remuneration of Auditors

The Group engaged Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as its domestic and international auditors for 2024, respectively. The fees as agreed to be paid by the Group for the audit of the financial statements for the year ended December 31, 2024 are RMB4.45 million. During the Reporting Period, the Group did not engage Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited for any non-audit service, and did not pay to them any fee related to non-audit service.

The audit committee of the Board of Directors was of the view that Shinewing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited can complete various engagements of the Bank satisfactorily, stick to the principles of independence, objectiveness and impartiality and comply with the applicable accounting principles and ethical requirements for accountants, and are diligent and responsive when conducting auditing work. During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the audit committee on the selection and appointment of external auditors.

(X) Company Secretary

During the Reporting Period, the company secretary of the Bank is Mr. Wong Wai Chiu. Mr. Wong took part in relevant professional trainings for no less than 15 hours during the Reporting Period. The main contact person between the company secretary and the Bank is Ms. Hao Jumei, the secretary to the Board. Ms. Hao Jumei is also required to report significant events to the chairman of the Board.

Regarding the biographic details of Mr. Wong Wai Chiu, please refer to the section headed “Directors, Supervisors, Senior Management, Employees and Organizations – 4. Company Secretary” of this annual report.

Corporate Governance Report

(XI) Communication with Shareholders

The Bank places great importance on its Shareholders' opinions and suggestions and has enhanced understanding and interaction with the Shareholders through a wide range of channels such as the general meeting, reception for visitors, onsite visits and telephone consultations.

The Bank has formulated the Information Disclosure Regulations of Bank of Gansu Co., Ltd. ("Information Disclosure Regulations"), which clearly regulate the scope and standards of information disclosure, the responsibilities and duties of relevant subjects, the procedures for handling and publishing information, and internal control measures. To facilitate efficient and continuous communication between the Bank and its shareholders and potential investors, the Bank has also established the Investor Relations Management System of Bank of Gansu Co., Ltd. (《甘肅銀行股份有限公司投資者關係管理制度》). Through the establishment and improvement of rules and regulations, the Bank aims to further improve operational transparency and credibility, strengthen communication with investors to keep them informed of our information disclosure, thereby guaranteeing investors' right to know and protecting investors' legitimate rights and interests.

The Board has reviewed the effectiveness of the above systems of shareholder communication and the Bank's shareholders and investor engagement and communication activities during the Reporting Period and is satisfied with the implementation and effectiveness of the Bank's policies relating to communication with shareholders. The Bank maintained good interaction with investors through multiple channels, actively responded to market concerns and enhanced their understanding and recognition of the Company. In 2024, the Bank released a total of 86 articles in relation to corporate governance information, equity management information, annual and semi-annual reports, financial and accounting reports, risk management information, related party transaction information, and annual major events. The Bank's investor relations were recognized by professional institutions and awarded the "2024 Listed Company with Best Social Responsibility Award" in the 9th Zhitongcaijing Listed Company Awards.

General enquiries

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

Office of the Board of Directors, Bank of Gansu Co., Ltd.

Bank of Gansu Tower, No. 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC

Telephone: +86 (931) 877 0491

Facsimile: +86 (931) 877 1877

Principal place of business in Hong Kong of the Bank: 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

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

Corporate Governance Report

Enquiries on matters relating to the H Shares

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Enquiries on matters relating to the Domestic Shares

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

Office of the Board of Directors, Bank of Gansu Co., Ltd.
Bank of Gansu Tower, No. 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Telephone: +86 (931) 877 0491
Facsimile: +86 (931) 877 1877

(XII) Rights of Shareholders

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

The Shareholders (the "Proposal Shareholders") of the Bank who individually or jointly hold 10% or more (calculated based on the shareholding from the date when such written request is made by such Shareholders) of the total voting Shares of the Bank may request in writing to convene an extraordinary general meeting. The following procedures shall be followed if the Proposal Shareholders request an extraordinary general meeting or class meeting:

- (1) Two or more Shareholders jointly holding the shares carrying more than 10% (inclusive) of the voting rights in the meeting to be held can execute one or several copies of written requirements in the same format for requiring the Board of Directors to convene the extraordinary general meeting or class meeting and clarify the meeting subject. The Board shall respond in writing to decide whether to convene such meeting or not within ten days upon receipt of such written proposal in accordance with the laws, rules and regulations and the Articles of Association. The number of shares aforesaid shall be calculated from the date when such written request is made by the Shareholders.

Where the Board agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days after the Board makes such resolution, in which the consent of the Proposal Shareholder requesting to convene the extraordinary general meeting shall be obtained in respect of any changes to the original proposals.

Corporate Governance Report

- (2) Where the Board does not agree to convene an extraordinary general meeting or does not respond within ten days upon receipt of the request, the Shareholders who individually or jointly hold more than 10% of the Shares of the Bank shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and make such proposal in writing to the Board of Supervisors.

Where the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days upon receipt of such request, in which the consent of the Proposal Shareholder requesting to convene the extraordinary general meeting shall be obtained in respect of any changes to the original proposal.

Where the Board of Supervisors fails to give a notice of the general meeting in specified period, the Board of Supervisors shall be deemed not to agree to convene and preside over the general meeting. The Shareholders individually or jointly holding more than 10% of the Shares of the Bank for over 90 consecutive days (the “Convening Shareholder”) may convene and preside over a general meeting.

Where the Board fails to respond to the request of the Shareholder to hold a general meeting, any reasonable expenses incurred by the Shareholder to convene and preside over such meeting shall be borne by the Bank and deducted from any sums owed by the Bank to the Directors who have defaulted on their duties.

If the Board of Supervisors or Shareholders decide to convene the general meeting, it shall notify the Board of Directors in writing, and report to and file with the banking regulatory authority of the place where the Bank is located. The content of the notice of convening the extraordinary general meeting shall comply with the following requirements:

- (A) The proposal shall not be added with the new content; or otherwise the Proposal Shareholders shall make a new request to the Board of Directors to convene a general meeting in accordance with the aforesaid procedures;
- (B) The meeting shall be held at the venue where the Bank is located.

For the general meeting convened and presided over by Shareholders on their own initiatives, the shareholding proportion of the Convening Shareholders before the announcement of the resolutions passed at the general meeting shall not be less than 10%. The Board of Supervisors or Convening Shareholders shall submit the relevant evidentiary materials to the local banking regulatory authorities in the jurisdiction in which the Bank is situated upon the issuance of the notice of a general meeting or the announcement of the resolution of a general meeting.

Corporate Governance Report

(ii) Proposing resolutions at Shareholders' general meetings

Shareholders who individually or jointly hold 3% or more of the total voting Shares of the Bank may submit provisional proposals to the conveners in writing 10 days before the date of the general meeting. The conveners shall issue a supplemental notice of general meeting setting out the contents of the provisional proposals within two days upon receiving the proposals. Shareholders who individually or jointly hold 3% or more of the total voting Shares of the Bank may nominate candidates for Directors and Supervisors to the Board of Directors and Board of Supervisors.

Shareholders who individually or jointly hold 1% or more of the total voting Shares of the Bank may nominate candidates for independent Directors. One Shareholder can only nominate one candidate for independent Director and a Shareholder who has nominated a candidate for Director shall not nominate any candidate for independent Director. The qualifications of the nominated candidates for independent Director shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, wherein the key points of review shall include the independence, expertise, experience, capabilities. The nominators for independent Director shall obtain the consent of the nominee before nomination and the nominating Shareholder shall be fully aware of the occupation, academic experiences, professional qualifications, detailed work experiences, all spare-time jobs and other information of the nominee and shall express opinions on the qualification and independence of the nominee as independent Director. In case the Board of Directors has different views on the particulars of the nominee, written opinions of Board of Directors shall be issued.

(iii) Making inquiries to the Board of Directors

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

Corporate Governance Report

(iv) Inspection rights of the Shareholders

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

- (i) to obtain the Articles of Association after its cost has been paid;
- (ii) to have access to and copy the following documents after a reasonable fee has been paid:
 - (A) the Shareholder register;
 - (B) the personal information of Directors, Supervisors, president and other senior management of the Bank;
 - (C) status of the share capital of the Bank;
 - (D) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last accounting year, as well as all the expenses paid by the Bank in relation to such repurchases;
 - (E) minutes of the general meetings;
 - (F) special resolutions of the Bank;
 - (G) the latest audited financial statements and the Board reports, auditor's reports and the Board of Supervisors' Reports of the Bank;
 - (H) the copy of the latest annual return submitted to the State Administration for Market Regulation or other competent authorities for filing.

In accordance with the requirements of Hong Kong Listing Rules, the Bank shall make the documents above (save for item (B) above) available for free inspection by the public and Shareholders of H Shares at the address of the Bank in Hong Kong, of which the documents referred to in item (E) shall be available for inspection by Shareholders only.

If any Shareholder makes a request to obtain a copy of the relevant documents from the Bank, the Bank shall send a copy of the requested documents within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include sensitive information about share price of the Bank.

Corporate Governance Report

(XIII) Information Disclosure

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

In accordance with the requirement of Measures for the Information Disclosure of Commercial Banks and Notice on the Normative Content of the Annual Report of the Joint-stock Commercial Banks, the Bank continuously improved the timeliness, accuracy and completeness of the information to be disclosed.

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

(XIV) Procedures and Regulatory Measures related to Inside Information

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality and protect the legitimate interest of investors by maintaining fairness with regard to information disclosure, the Bank has formulated the Information Disclosure Regulations pursuant to applicable laws, regulations, the Hong Kong Listing Rules and other regulatory requirements. The Information Disclosure Regulations provide for the scope of inside information and the definition of insiders possessing inside information, detailed requirements on management of insiders and inside information, confidentiality of such information and sanction measures for divulgence of inside information.

(XV) Amendment to the Articles of Association during the Reporting Period

On June 27, 2024, proposal regarding the proposed amendments to the Articles of Association was considered and approved at the 2023 annual general meeting. The Bank has amended certain provisions of its Articles of Association in accordance with the Company Law, the Commercial Bank Law, Corporate Governance Guidelines for Banking and Insurance Institutions, Interim Measures for the Equity Management of Commercial Banks, the Regulations on the Work of Grassroots Organizations of State-owned Enterprises of the Chinese Communist Party (for Trial Implementation), the Hong Kong Listing Rules and other laws and regulations. The amended Articles of Association will become effective upon approval by NAFR Gansu Office. Investors may review the existing and effective Articles of Association on the website of the Bank (www.gsbankchina.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).



Risk Management, Internal Control and Internal Audit

1. OVERVIEW

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

- The Bank has established a comprehensive risk management, internal control reporting, announcement and appraisal system. In particular, the Bank has set up a vertical risk management structure by establishing risk management departments and positions at its head office and at each branch and sub-branch.
- The Bank has developed different risk management strategies based on the nature and characteristics of major risk categories. It also provides regular risk management training to its employees by conducting bank-wide on-site training and inviting law firms and professional institutions to provide training.

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

The Bank has implemented prudent risk management and internal control to ensure good asset quality. As of December 31, 2024, the Bank's non-performing loan ratio was 1.93%; and the Bank's provision coverage ratio was 134.05%.

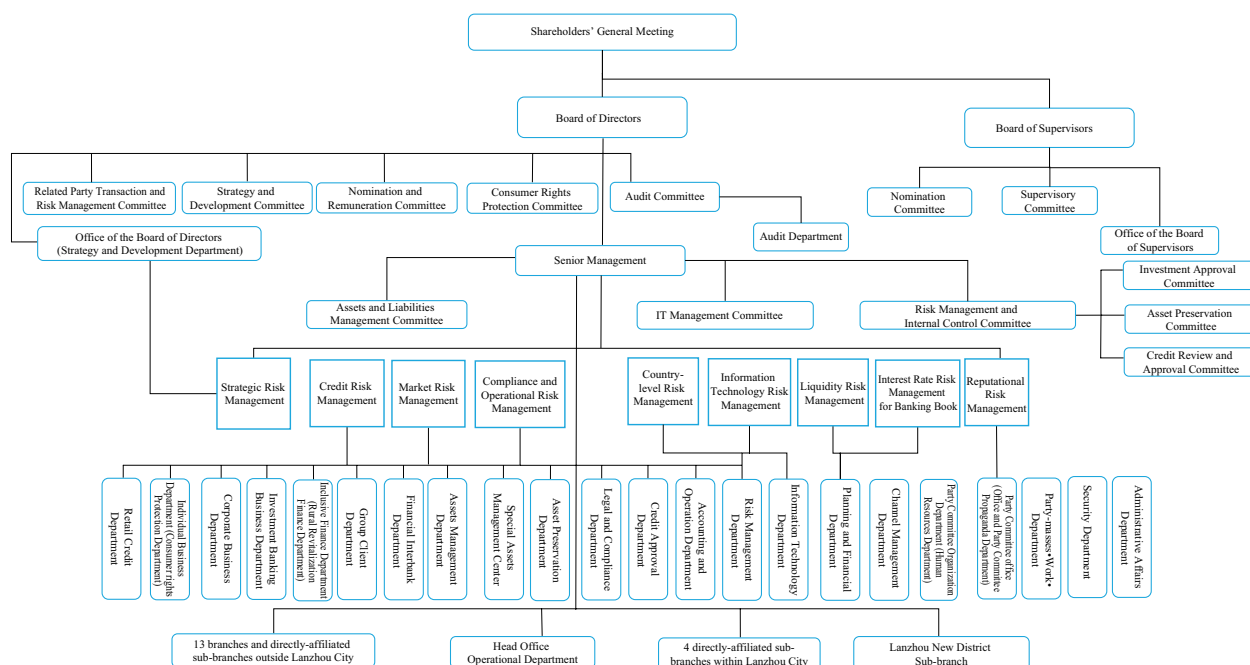
Risk Management, Internal Control and Internal Audit

2. RISK MANAGEMENT AND INTERNAL CONTROL OF THE BANK

(I) Organizational System

As of the date of this annual report, the organizational structure of the Bank's risk management is as follows:

Comprehensive Risk Management Organizational Structure Chart of Bank of Gansu



Risk Management, Internal Control and Internal Audit

(i) Board of Directors and its Special Committees

The Board of Directors is ultimately responsible for the Bank's risk management and internal control. The Board of Directors is primarily responsible for (i) cultivating the Bank's risk management culture, philosophy, values and code of conduct; (ii) formulating risk management strategies; (iii) determining the Bank's overall risk appetite and risk limits; (iv) reviewing and approving risk management policies and procedures; (v) supervising the performance of risk management responsibilities by the Bank's senior management; (vi) reviewing risk management reports; (vii) reviewing and approving disclosures regarding the Bank's exposure to major risks and overall risk exposure; and (viii) appointing the Bank's chief risk officer. The related party transaction and risk management committee, strategy and development committee and audit committee under Board of Directors of the Bank are responsible for risk management, internal control and internal audit related matters.

Related Party Transaction and Risk Management Committee

The Bank's related party transaction and risk management committee is primarily responsible for (i) supervising the control of risks by the Bank's senior management; (ii) evaluating the Bank's risk profile; (iii) making recommendations regarding the Bank's risk management and internal controls, discussing risk management with senior management, and ensuring that management has performed their duties of establishing effective systems; (iv) conducting research on key investigation results relating to risk management matters and management responses to investigation results; (v) reviewing and approving related party transaction filings within the committee's authorized scope as determined by the Board; and (vi) reviewing related party transactions and submitting transactions to the Board for approval.

Strategy and Development Committee

The Bank's strategy and development committee is primarily responsible for: (i) formulating the Bank's operation objectives; (ii) formulating the environmental, social and governance (ESG) related objectives, medium- and long-term development strategy and management approach of the Bank, and supervising the implementation of the relevant objectives; and (iii) supervising and reviewing the implementation of the Bank's annual business plans and investment plans.

Audit Committee

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

According to the regulatory requirements, the Board of Directors conducts self-evaluation on the effectiveness of risk management and internal control on an annual basis and diligently undertakes the responsibilities of risk management and internal control. During the Reporting Period, the Bank maintained effective risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in relation to the risk management and internal control. The Board of Directors regularly receives and reviews reports from senior management on the Bank's operations with respect to overall business management, risk management, the internal audit program and internal controls, and is satisfied that the Bank's risk management and internal controls are effective and adequate.

Risk Management, Internal Control and Internal Audit

(ii) **Board of Supervisors and its Special Committees**

The Board of Supervisors shall be accountable to the Shareholders' general meeting, and supervises the Bank's financial position and the legality and compliance of the performance of Directors, presidents and other senior management members in accordance with the laws, regulations and responsibilities prescribed in the Articles of Association, in order to safeguard the legal rights of the Bank and its Shareholders.

There are the supervisory committee and nomination committee under the Bank's Board of Supervisors, and the Board of Supervisors has established effective mechanisms for communication with such special committees.

Supervisory Committee

The Bank has established a supervisory committee under the Board of Supervisors, which is primarily responsible for (i) supervising the Board of Directors in formulating prudent business philosophies and development strategies; (ii) formulating and coordinating the implementation of internal inspection and special audit plans with respect to the Bank's business decision making, financial activities, risk management and internal controls; (iii) formulating and coordinating plans for major emergencies and risk events based on the authorization by the Board of Supervisors; and (iv) communicating with external auditors regarding the preparation of the Board's periodic reports and related material adjustments and reporting to the Board of Supervisors.

Nomination Committee

The Bank's nomination committee under the Board of Supervisors is primarily responsible for (i) preparing the selection procedures and criteria for Supervisors; making preliminary assessment on the service qualifications and conditions of the candidate for Supervisors, and making recommendations to the Board of Supervisors; (ii) supervising the selection procedure of Directors; (iii) conducting comprehensive assessment on the performance of Directors, Supervisors and senior management and report to the Board of Supervisors; (iv) supervising on whether the compensation management system and policy of the Bank and the compensation plan of the senior management are scientific and reasonable; and (v) other matters authorized by the Board of Supervisors.

(iii) **Senior Management and its Special Committees**

The Bank's senior management implements the risk management policies, strategies and plans set by the Board of Directors. It is primarily responsible for (i) establishing a management structure based on comprehensive risk management strategies, delineating risk management responsibilities among various departments, and developing a coordinated checks-and-balances mechanism among departments; (ii) formulating clear execution and accountability systems for the effective communication and implementation of risk management strategies, preferences and limits; (iii) formulating and implementing overall risk limits based on the Bank's overall risk appetites determined by the Board, based on the relevant industry, region, customer and product; (iv) formulating and adjusting risk management policies and procedures and conducting periodic evaluations; (v) evaluating the Bank's overall risk profile and exposure to specific risks and reporting to the Board; (vi) establishing information management and data quality control systems; and (vii) monitoring breaches of risk appetite, risk limits or violations of risk management policies and procedures, and taking corresponding measures based on the Board's authorization.

The Bank has established three special committees with risk management responsibilities under its senior management: the risk management and internal control committee, IT management committee, and assets and liabilities management committee.

Risk Management, Internal Control and Internal Audit

Risk Management and Internal Control Committee

The Bank's risk management and internal control committee is primarily responsible for (i) studying on the risk management and internal control systems plans, and overseeing the establishment and implementation of the internal control management system of the Bank, to ensure its effective operation; (ii) studying on the policies, strategies and procedures of the Bank's risk management and internal control systems; and being responsible for monitoring the policies and procedures of the Bank's risk management and internal control; (iii) reviewing plans and proposals regarding the inspection and evaluation of the sufficiency, compliance and effectiveness of risk management and internal control systems and reviewing the related inspection and evaluation reports; (iv) reviewing demonstration of feasibility risks and solutions proposals relating to material risk events; (v) reviewing the classified identification of the risk in the Bank's credit and non-credit assets and the plan and results of the provision for impairment losses; (vi) reviewing matters within the scope of authorization granted by the Board of Directors to the management which exceed the authorization granted to the credit review and approval committee, asset preservation committee and investment business approval committee; (vii) coordinating and implementing the various business continuity management responsibilities; reviewing the major business recovery objectives and strategies in business continuity management, and listening to business continuity management reports; (viii) reviewing the selection, addition and adjustment of the headquarters credit officers, designated credit officers and members of the credit review and approval committee, asset preservation committee and investment business approval committee; (ix) reviewing the work associated with the transfer of risk assets; (x) reviewing other matters as senior management may deem necessary for the Committee's decision.

IT Management Committee

The Bank's IT Management Committee is mainly responsible for (i) setting the Bank's IT strategic goals based on the Bank's overall strategic plan and organizing the formulation of the IT strategic plan; (ii) supervising the implementation of various IT work responsibilities, regularly reporting to the Board of Directors and senior management on the implementation of the IT strategic plan, IT budget and actual expenditures, the overall IT status, and so on; (iii) reviewing the Bank's IT policies, systems, standards and principles, and supervising the establishment of internal mechanisms for the preparation, approval, amendment and abolition of IT management systems by the relevant departments of IT, IT risk management and IT risk audit in accordance with national laws, regulations and technical standards on IT management and regulatory requirements; (iv) taking charge of the Bank's IT risk management decisions, organizing the emergency treatment of major information security incidents and information system operation events, supervising the IT department in implementing the Bank's IT risk management strategy, and ensuring its performance of IT risk prevention and other duties; identifying major IT risks, determining acceptable risk levels, and ensuring that relevant risks can be identified, measured, monitored, and controlled; cooperating with regulatory authorities to conduct supervision and inspection of IT risks, and rectifying according to regulatory opinions; reviewing and submitting annual reports on IT risk management to the CBIRC each year; (v) reviewing the annual IT budget and new key project budgets, reviewing the project establishment, launch, and post-evaluation of IT projects, and supervising the implementation of IT responsibilities; (vi) regularly listening to reports on important IT project construction, IT risk prevention, information security management, information system operation, and other IT work matters, and supervising and evaluating the overall effect and efficiency of IT work; (vii) carrying out other related tasks of IT governance and IT risk management.

Risk Management, Internal Control and Internal Audit

Assets and Liabilities Management Committee

The Bank's assets and liabilities management committee is primarily responsible for: (i) reviewing the relevant systems and measures for assets and liabilities management, capital management, pricing management, liquidity risk management, interest rate risk management for banking book, in order to establish the Bank's assets and liabilities management policies; (ii) reviewing the overall assets and liabilities structure and structural plan to determine asset and liability development objectives and management strategies; (iii) reviewing the standards used to measure economic capital and issues that would have a significant impact on the Bank's capital adequacy ratios; (iv) reviewing the Bank's internal capital transfer pricing proposals and policy-based adjustment programs; (v) reviewing the exposure to liquidity risk, the level and management of interest rate risk management for banking book, as well as the management of asset-liability maturity mismatches on a regular basis; (vi) reviewing other matters that would have a material impact on managing the Bank's assets and liabilities.

(iv) Risk Management Department

The Bank has established a centralized and vertical risk management structure. A number of the Bank's business departments at the head office, such as Risk Management Department, Corporate Business Department, Credit Approval Department, Inclusive Finance Department, Asset Preservation Department and Personal Banking Department, are involved in the Bank's daily risk management. These departments are mainly responsible for (i) formulating the Bank's overall risk management policies, covering credit authorizations and policies, credit reviews and approvals, management of non-performing assets and review and approval of loan disbursements; (ii) reviewing and approving the credit business by branches and sub-branches; and (iii) guiding branches and sub-branches in formulating credit policies based on their scale of business, target customers and local economic conditions.

Each of the Bank's branches and sub-branches has established its own risk management department and positions. The risk management departments and positions at the Bank's branches and sub-branches are mainly responsible for (i) implementing the risk management policies of the Bank's head office; (ii) monitoring and staying alert of and supervising the risks associated with the Bank's business activities; and (iii) reporting major risk events to the management of the branch or sub-branch and the risk management department of the Bank's head office.

Risk Management, Internal Control and Internal Audit

(II) Management of Different Types of Risks

(i) Credit Risk Management

Overview

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations; or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on-or off-balance-sheet credit risks exposures.

The Bank determines the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. The Bank also considers its asset and liability structure and trends in deposit and loan growth. The Bank formulates annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with relevant guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies must comply with all regulatory requirements. The Bank also encourages the extension of credit to emerging technology sectors, such as internet, big data and artificial intelligence in accordance with national policy directives. In addition, the Bank also issue notices of adjustments to credit policy guidelines in a timely manner in response to changes in government policies, the economic environment and its risk preferences.

The Bank categorizes the industries in which a loan applicant operates into different categories and adopts a different credit policy for each industry category. The Bank has also adopted detailed credit policies for small and micro enterprise loans and retail loans based on the type of product, customer group and investment field. The Bank generally updates these policies on an annual basis.

Credit Risk Management of Corporate Loans


The Bank manages credit risks related to its corporate loans through five procedures, including pre-loan investigation, credit review and approval, loan disbursement management, post-disbursement management, and non-performing loan management.

Credit Risk Management for Retail Loans

The Bank's credit risk management procedures for retail loans include pre-loan investigation, credit review and approval, loan disbursement management, post-disbursement management and non-performing loan management.

Credit Risk Management for Financial Market Operations

The Bank's financial market operations include money market transactions, investment business and wealth management business. The Bank has established various mechanisms to manage credit risks arising from its financial market operations.



Risk Management, Internal Control and Internal Audit

Credit Risk Management for Money Market Transactions

The credit management department at the Bank's head office leads the review and approval of credit limits granted to inter-bank customers and adjusts credit limits based on a customer's operating conditions. To timely respond to risk event alerts, the Bank closely monitors changes in the operations of the actual bearers of credit risks and any external factors that could affect their ability to honor contractual obligations.

Credit Risk Management for Standard Investments and Non-Standard Credit Assets Investments


The Bank primarily invests in (i) standard investments such as debt securities issued by the PRC government, PRC policy banks, PRC commercial banks and other financial institutions and corporate issuers, and public funds managed by fund companies, and (ii) non-standard credit assets, such as trust plans, asset management plans.

In terms of debt securities investments, (i) the Bank has formulated strict counterparty selection criteria for its bond investments; and (ii) it only invests in standard debt financing instruments with corporate or facility credit ratings of AA or above, with a focus on bonds issued by state-owned or state-controlled enterprises.

The Bank manages credit risks related to its non-standard credit assets investments primarily through procedures including counterparty screening, due diligence, review and approval, classifications and record keeping. In particular, the Bank has established similar risk management procedures for asset management plans and trust plans as those for loans. The Bank also implements strict standards for investment in non-principal-protected wealth management products.

Credit Risk Management for the Wealth Management Business

The Bank manages risks associated with the issuance of wealth management products primarily through measures such as setting up an asset management department at the Bank's head office to be responsible for the issuance and management of the wealth management business, conducting evaluations of counterparty's eligibility, pre-investment due diligence investigations, risk assessments and post-investment risk management for wealth management products, performing market forecasts and analyses to select appropriate investment targets for wealth management products, and timely disclosing the relevant information to investors, etc.



Risk Management, Internal Control and Internal Audit

Credit Risk Management for the Bank's Bill Discounting Business

The Bank has published management measures and procedures for its bill discounting business. The Bank provides discounting of bank acceptance bills and commercial acceptance bills. It manages risks arising from the discounting of bank acceptance bills primarily by verifying the authenticity of the bills and the items recorded on the bills. The measures and procedures adopted by the Bank for commercial bill discounting mainly include approval by corporate credit approval authorizations, verification of the accuracy of the underlying transactions and risk classification by the risk management department based on repayment status.

Credit Risk Management for the Bank's Off-Balance-Sheet Business

The Bank strictly reviews the business backgrounds of off-balance-sheet transactions and verifies the authenticity of the related documentation. The Bank also requires strict compliance with its internal procedures to ensure that the deposit amounts, margin ratios and guarantee measures meet its requirements.

Credit Risk Management for Related Party Transactions

In order to control risks arising from related party transactions and ensure compliance with relevant laws and regulations, the Bank has specified in its Articles and internal policies the standards for identifying related parties, the review and approval procedures for related party transactions and the reporting and registration requirements for such transactions.

The Bank rigorously enforces these internal procedures throughout the Bank to identify business relationships between related parties and the Bank and maintain centralized monitoring and management of related party transactions.

Credit Risk Management for IT System

The Bank seeks to improve its credit risk management with advanced IT systems. It has improved and upgraded the credit management system to analyze customer data. The system consists of a credit evaluation module, a risk management module, a post-disbursement management module, a credit reporting module and an asset preservation module in accordance with the Bank's internal policies related to the extension of credit and provision of loans.

The Bank has also developed a credit risk big data alert system that measures credit risk by analyzing data of its credit businesses, data of credit system and data from third party sources, such as the Internet and media.

Risk Management, Internal Control and Internal Audit

(ii) Liquidity Risk Management

Liquidity risk refers to the risk of failing to liquidate a position in a timely manner or failing to acquire sufficient funds at a reasonable cost to fulfill payment obligations. Factors affecting the Bank's liquidity include the term structure of its assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to the Bank's statutory deposit reserve ratio. The Bank is exposed to liquidity risk primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The objective of the Bank's liquidity risk management is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of the Bank's assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

The organizational framework of the Bank's liquidity risk management focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. The Board of Directors is the ultimate decision-making institution for liquidity risk management and assumes ultimate responsibility for the Bank's liquidity risk management. Senior management is responsible for liquidity risk management, and the Bank's assets and liabilities management committee is responsible for implementing liquidity risk management policies and procedures. The Bank's supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the Bank's daily liquidity risk management.

The Bank continually improves liquidity risk management, strictly implements regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans and enhances liquidity risk management and stress tests. The Bank manages liquidity risks with instruments such as position provisioning and monitoring, cash flow analyses, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(iii) Market Risk Management

Market risk is the risk of loss in on-balance sheet and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book. The market risks associated with the banking book include interest rate risk and exchange rate risk. The primary market risks in the Bank's trading book arise from fluctuations in the value of financial instruments due to changes in interest and exchange rates.

The Bank conducts analysis and studies on interest rate trends in financial markets, based on the results and forecast of which it formats and adjusts interest rates. It manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits. The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests.

The Bank also seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, the Bank endeavors to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

The Bank employs a number of risk management techniques to monitor and control market risks in its financial market operations, including monitoring open positions, stop-loss limits and value-at-risk of the Bank's trading book on a daily basis. The Bank analyzes its potential market risks through various methods, including duration analysis, sensibility analysis, scenario analysis and value-at-risk analysis.

Risk Management, Internal Control and Internal Audit

(iv) Operational Risk Management

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, failures of risk, implementation, settlement and procedure management systems relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Bank's Board of Directors is ultimately responsible for ensuring the effectiveness of the Bank's operational risk management. The Bank's senior management is responsible for coordinating operational risk management through its risk management and internal control committee. The Bank's legal compliance department formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The Bank's audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures. The Bank has also established a GRC system for managing internal control and operational risks.

The Bank manages operational risk primarily through measures including: (i) collecting and analyzing data on operational risk related loss to identify operational risks; (ii) re-assessing risk points for products and businesses which involve frequent occurrences of operational risk events or may incur significant losses from potential operational risk events; (iii) monitoring operational risks, and establishing an alert system to control the frequency of risk events that are likely to result in uncontrollable losses as well as reduce the potential losses from these events; (iv) establishing a comprehensive operational risk reporting system to analyze and report operational risks in a timely manner; and (v) enhancing internal training on operational risk management.

(v) Reputation Risk Management

Reputation risk represents the risk of negative evaluation of the Bank by stakeholders, the public and the media due to the Bank's operation and management, the behavior of its employees or external events such as complaints, penalties and cases, which hurts the brand value and affects the normal operations or even the market stability. The general office of the Bank's head office is primarily responsible for the management of reputation risk, and the Board, Board of Supervisors and senior management assume the ultimate responsibility, supervisory responsibility and management responsibility for reputation risk management, respectively. The Bank's reputation risk management measures primarily include (i) formulating detailed reputation risk management policies and guidelines for identifying, reporting and managing significant reputational incidents; (ii) supervising employees' performance of duties in minimizing negative risk events; (iii) analyzing public opinion, investigating reputation risks and analyzing the dissemination channels of reputation risks and related incidents; and (iv) enhancing internal training on reputation risk management.

(vi) IT Risk Management

IT risk refers to operational, reputational, legal and other risks arising from information technology due to natural factors, human factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risks through the development of effective systems.

The Bank's IT management committee supervises and guides the Bank's IT activities. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. Its audit department audits IT risks. Its IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

The Bank has adopted a variety of measures to manage IT risk, including (i) establishing systems, procedures and implementation rules for managing IT risks in accordance with relevant regulatory requirements; (ii) setting up an IT outsourcing risk management system with defined outsourcing management principles and strategies to eliminate outsourcing risks; and (iii) enhancing internal training on IT risks.

Risk Management, Internal Control and Internal Audit


(vii) Legal and Compliance Risk Management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at the Bank's head office is in charge of managing the Bank's overall legal and compliance risks. In addition, the Bank has established legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- organising the formulation of our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.



Risk Management, Internal Control and Internal Audit

(viii) Anti-money Laundering Management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and other applicable regulations of the PBOC.

The Board of Directors oversees the Bank's bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the Bank's overall money-laundering risk profile, and adjusts the Bank's anti-money laundering policies on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;
- formulating solutions and responsive measures; and
- reporting to our Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consist of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Risk Management, Internal Control and Internal Audit

(ix) Anti-corruption System

The Bank strictly abides by laws and regulations such as the Regulation of the Communist Party of China on Disciplinary Actions, the Law of the People's Republic of China on Administrative Discipline for Public Officials, the Criminal Law of the People's Republic of China and the Supervision Law of the People's Republic of China in its stringent control of corporate prevention of possible irregularities, violations of discipline and law by the Bank's employees. Accordingly, the Bank has launched the Trial Implementation Measures for Complaint Management and Investigation of Bank of Gansu 《甘肅銀行信訪管理及查處工作實施辦法(試行)》, the Trial Administrative Measures for Report on Marriage and Compassionate Leave of Party Members and Leading Cadres of Bank of Gansu 《甘肅銀行黨員幹部操辦婚喪喜慶事宜報備暫行辦法》, the Operating Procedures for Reminders, Letters and Discretions for Management Staff of Bank of Gansu's Head Office 《甘肅銀行總行管理幹部提醒、函詢和誡勉工作操作規程》, the Trial Administrative Measures for Accountability of Violation and Dereliction of Duty of Bank of Gansu 《甘肅銀行違規失職行為問責管理辦法(試行)》, the Measures for the Assessment of the Party Construction of Bank of Gansu 《甘肅銀行黨風廉政建設工作考核辦法》, the Administrative Measures for the Prevention and Control of Cases of Bank of Gansu 《甘肅銀行案件防控管理辦法》 and other internal systems, gradually improving its construction of system.

In addition to the internal system, the Bank has established a four-in-one complaint mechanism of "letters, visits, call, internet", which accepts and handles issues and traces in accordance with relevant requirements, so as to effectively curb the occurrence of corruption and other illegal acts. In terms of complaint management, the assigned discipline inspection and supervision team has formulated a corresponding working system. In accordance with the principles of unified management, classification and treatment, and handling within a time limit, the approval process is strictly implemented. In accordance with the requirements of registration acceptance, analysis and judgment, investigation and verification, and handling of issues, the Bank will investigate and deal with issues and traces on complaint letters in accordance with the law.

(III) Internal Audits


The Bank believes internal audits are essential to its stable operations and achievement of business objectives. The Bank conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimize internal control compliance and its corporate governance structure, in an effort to improve its operations. The Bank adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department.

The Bank has formulated internal audit rules and systems that contain charter and criteria for internal audit. The audit department of its head office formulates annual internal audit plans based on regulatory requirements as well as its operation, management and business profile. The plans may be implemented after being approved by the Board of Directors.

The Bank has also established an audit management system, which may, through standard internal audit methods and procedures, audit its operation and management, information systems, risk profile and performance of employees of key positions, evaluate the effectiveness of its internal controls and corporate governance, and conduct subsequent rectification and follow-up actions on a timely basis.



Risk Management, Internal Control and Internal Audit

3. REGULATION OF THE BANK'S INSIDE INFORMATION

The Bank attaches great importance to information disclosure and insider information management. In order to strengthen the insider information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated Measures for Information Disclosure of Bank of Gansu Co., Ltd. 《甘肅銀行股份有限公司信息披露辦法》 in accordance with PRC Company Law, PRC Securities Laws, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents.

The Bank has also formulated the Rules of Registration of Insiders and Confidentiality 《內幕信息知情人登記管理及保密制度》 which provide clear regulations for various aspects, including the coverage of the information that involves the Bank's operation and finance, or that may have significant impact on the market prices of the Bank's Shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail management of insiders and confidentiality and the penalties for violating the internal measures governing insiders and inside information.

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TO THE SHAREHOLDERS OF BANK OF GANSU CO., LTD.

甘肅銀行股份有限公司

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

OPINION

We have audited the consolidated financial statements of Bank of Gansu Co., Ltd (the “Bank”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 181 to 313, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (the “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matters identified during our audit are summarised as follows:

- Expected credit losses of loans and advances to customers
- Consolidation of structured entities
- Valuation of financial instruments

Independent Auditor's Report

Expected credit losses of loans and advances to customers

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 199 to 203.

The key audit matter	How the matter was addressed in our audit
<p>Impairment allowances represent management's best estimate of the expected credit losses ("ECL") for the loan portfolios at the balance sheet date.</p> <p>They are assessed based on whether the credit risk has increased significantly since initial recognition and the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.</p> <p>The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.</p>	<p>Our procedures were designed to evaluate the management's internal controls and assessment process for the measurement on the ECL model and to challenge the reasonableness of the models and assumptions used to estimate the ECL of loans and advances to customers. We have assessed the inherent risk of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors.</p> <p>We have discussed the judgement in relation to the recognition of 12 months ECL and lifetime ECL of loans and advances under the 3-stage impairment model approach and assessed the appropriateness of the modelling policy, assumptions and methodology used for material portfolios independently by reference to the Group's accounting policies, the market practices and model calculations were tested through re-performance.</p> <p>We have challenged the assumptions, critical judgement, management bias and the ECL models used by the management by assessing the reliability of the management's past estimates and future forecast.</p>

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The key audit matter	How the matter was addressed in our audit
<p>Management estimations and judgements are required to determine whether there are significant increase in credit risk, the probability of default, loss given default, forward-looking information and the expected future cash flows related to each loan within the loan portfolios.</p> <p>We identified the ECL on loans and advances to customers as a key audit matter due to the significant balances amounted to approximately RMB225,595,610,000 (net of accumulated impairment losses of approximately RMB5,818,681,000) as at the end of the reporting period and the subjective nature of the judgement, estimation and calculation.</p>	<p>For the collectively assessed ECL, we assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and thus the allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current economic scenarios and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including forward-looking information and the value of realisable collateral based on available market information.</p> <p>For both collectively and individually assessed ECL, we have also assessed the consolidated financial statement disclosures relating to the Group's exposure to credit risk.</p>

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Consolidation of structured entities

Refer to note 43 to the consolidated financial statements and the accounting policies on pages 192 to 193.

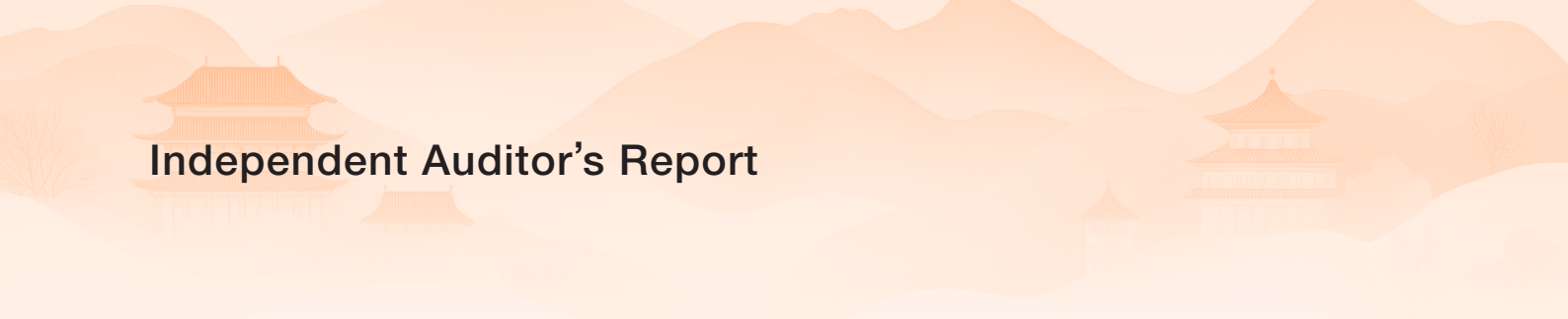
The key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing trust plans, asset management plans, wealth management products and investment funds.</p> <p>The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over them through taking consideration of power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgment and estimation such as the purpose and design of structured entities, its practical ability to direct the relevant activities, interests it holds directly or indirectly, performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc unilaterally. We identified consolidation of structured entities as a key audit matter due to the key judgement exercised by the management of the Group in assessing and concluding whether the Group, as an investor, controlled over the structured entities.</p>	<p>We assessed the Group's analysis and conclusions on whether or not the Group has the practical ability to direct the relevant activities of the structured entities unilaterally and the Group has control over the structured entities by reviewing relevant agreements and documents to analyse whether the Group has obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, and whether the Group is exposed, or has rights, to the magnitude and variability of variable returns from its involvement with structured entities.</p> <p>Furthermore, we assessed the design and tested the operating effectiveness of the Group's key internal controls over its structured entities, and assessed the adequacy of disclosures being made in the consolidated financial statements required under the accounting policies of the Group for these consolidated or unconsolidated structured entities.</p>

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Valuation of financial instruments

Refer to note 49 to the consolidated financial statements and the accounting policies on page 218.

The key audit matter	How the matter was addressed in our audit
<p>The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particularly those required significant unobservable inputs, usually involve subjective judgment and assumptions. With different valuation techniques and assumptions applied, the valuation results might vary significantly.</p> <p>As at December 31, 2024, financial assets measured at fair value amounted to approximately RMB36,043,337,000, representing 9% of total assets. Financial instruments which required either directly (i.e. as prices) or indirectly (i.e. derived from prices) inputs were categorised within level 2 of the fair value hierarchy while financial instruments which are not based on observable market inputs were categorised within level 3 of the fair value hierarchy. We identified valuation of financial instruments as a key audit matter due to the significance of financial instruments measured at fair value, and judgements and estimations involved in valuation.</p>	<p>Our procedures were designed to assess and evaluate the design and operating effectiveness of the Group's key controls over valuation of financial instruments, including to evaluate the effectiveness of the relevant data quality and the IT system involved.</p> <p>We assessed the valuation techniques, inputs and assumptions used by the Group and observed the management's analysis and comparison of the Group's valuation techniques with those commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.</p> <p>We also assessed the adequacy of the disclosure being made in the consolidated financial statements required under the Group's accounting policies for valuation of financial instruments.</p>



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

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE BANK AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

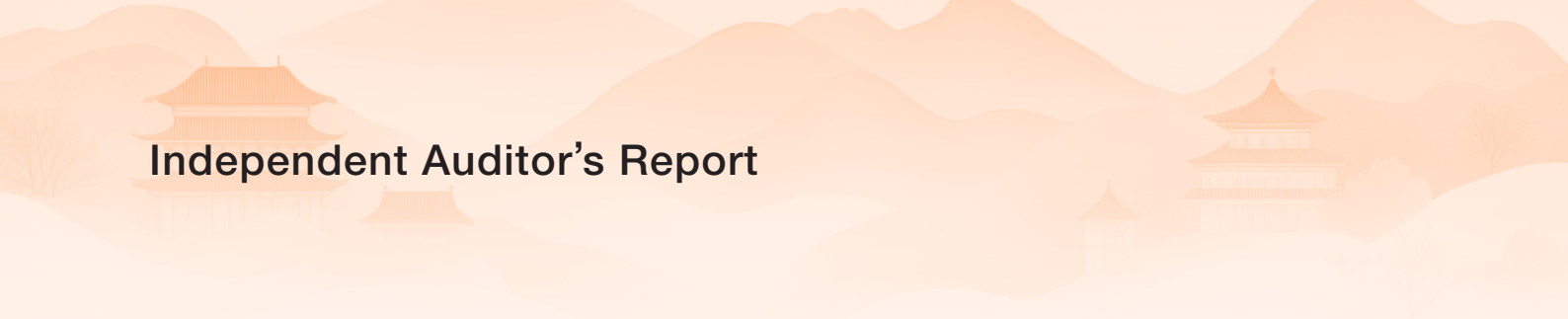
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Bank.
- Conclude on the appropriateness of the Bank's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.



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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Shun Ming.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lee Shun Ming

Practising Certificate Number: P07068

Hong Kong

March 28, 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Interest income		12,978,106	13,900,634
Interest expenses		(8,341,807)	(8,466,102)
Net interest income	6	4,636,299	5,434,532
Fee and commission income		434,409	424,000
Fee and commission expenses		(34,294)	(44,091)
Net fee and commission income	7	400,115	379,909
Net trading gains	8	828,869	629,016
Net gains arising from investment securities	9	41,218	116,592
Net exchange gains		38,421	47,530
Other operating income, net	10	9,036	57,563
		917,544	850,701
Operating income		5,953,958	6,665,142
Operating expenses	11	(2,376,576)	(2,388,813)
Impairment losses on assets, net of reversals	14	(3,101,569)	(3,706,972)
Operating profit		475,813	569,357
Share of result of an associate		(12)	181
Profit before tax		475,801	569,538
Income tax credit	15	108,965	77,078
Profit for the year		584,766	646,616

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Profit for the year		584,766	646,616
Other comprehensive income (expense) for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
–Remeasurement of defined benefit obligations		(2,470)	810
–Fair value loss on investments in equity investments at fair value through other comprehensive income		(24,349)	(15,405)
–Income tax relating to items that will not be reclassified to profit or loss		6,705	3,649
		(20,114)	(10,946)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt instruments at fair value through other comprehensive income			
–Movement of provision for impairment losses	24	(989)	1,709
–Change in fair value recognised in investment revaluation reserve		122,636	(74,955)
–Income tax relating to item that may be reclassified subsequently to profit or loss		(30,412)	18,313
		91,235	(54,933)
Other comprehensive income (expense) for the year, net of income tax		71,121	(65,879)
Total comprehensive income for the year		655,887	580,737
Profit for the year attributable to:			
–Owners of the Bank		582,348	644,561
–Non-controlling interests		2,418	2,055
		584,766	646,616
Total comprehensive income for the year attributable to:			
–Owners of the Bank		653,469	578,682
–Non-controlling interests		2,418	2,055
		655,887	580,737
Earnings per share			
Basic and diluted (RMB cents)	16	3.86	4.28

Consolidated Statement of Financial Position

At December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Assets			
Cash and deposits with the central bank	17	23,171,617	19,261,955
Deposits with banks	18	1,028,720	2,866,129
Placements with banks and other financial institutions	19	5,001,750	2,407,239
Financial assets held under resale agreements	20	8,989,174	10,664,017
Financial assets at amortised cost	21	101,407,980	84,521,553
Loans and advances to customers	22	225,595,610	217,089,858
Financial assets at fair value through profit or loss	23	28,534,813	29,646,068
Financial assets at fair value through other comprehensive income	24	7,508,524	12,854,062
Interest in an associate	25	10,341	10,353
Property and equipment	27	2,816,724	2,881,910
Right-of-use assets	28	330,874	248,309
Deferred tax assets	29	2,320,313	2,056,875
Other assets	30	7,991,130	4,080,324
Total assets		414,707,570	388,588,652
Liabilities and equity			
Liabilities			
Borrowings from the central bank	32	8,404,837	7,069,283
Deposits from banks and other financial institutions	33	15,708,625	20,120,328
Placements from banks	34	975,230	1,823,001
Financial assets sold under repurchase agreements	35	4,946,773	6,920,271
Deposits from customers	36	321,379,277	295,556,165
Accrued staff costs	37	272,389	270,518
Taxes payable		105,028	112,682
Debts securities issued	38	27,392,627	22,172,412
Deferred tax liabilities	29	38,783	16,373
Lease liabilities	28	285,341	186,464
Other liabilities	39	1,360,744	1,161,083
Total liabilities		380,869,654	355,408,580

Consolidated Statement of Financial Position

At December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Equity			
Share capital	40	15,069,791	15,069,791
Capital reserve	41	5,958,659	5,956,702
Defined benefit plan reserve		(5,290)	(3,437)
Investment revaluation reserve		108,580	35,606
Surplus reserve	41	1,966,278	1,908,450
General reserve	41	5,784,233	5,373,732
Retained earnings		4,910,812	4,796,793
Total equity attributable to the owners of the Bank		33,793,063	33,137,637
Non-controlling interests		44,853	42,435
Total equity		33,837,916	33,180,072
Total liabilities and equity		414,707,570	388,588,652

The consolidated financial statements on pages 181 to 313 were approved and authorised for issue by the board of directors of the Bank on March 28, 2025 and are signed on its behalf by:

Mr. Liu Qing
Director

Mr. Wang Xizhen
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Attributable to the owners of the Bank							Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share Capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000			
At January 1, 2024	15,069,791	5,956,702	(3,437)	35,606	1,908,450	5,373,732	4,796,793	33,137,637	42,435	33,180,072
Profit for the year	-	-	-	-	-	-	582,348	582,348	2,418	584,766
Other comprehensive (expense)/income for the year	-	-	(1,853)	72,974	-	-	-	71,121	-	71,121
Total comprehensive (expense)/income for the year	-	-	(1,853)	72,974	-	-	582,348	653,469	2,418	655,887
Shareholders' injection (Note 41)	-	1,957	-	-	-	-	-	1,957	-	1,957
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	-	57,828	-	(57,828)	-	-	-
- Appropriation to general reserve	-	-	-	-	-	410,501	(410,501)	-	-	-
At December 31, 2024	15,069,791	5,958,659	(5,290)	108,580	1,966,278	5,784,233	4,910,812	33,793,063	44,853	33,837,916

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Attributable to the owners of the Bank							Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share Capital RMB'000	Capital reserve RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000			
At January 1, 2023	15,069,791	5,956,614	(4,045)	102,093	1,844,340	5,343,087	4,246,987	32,558,867	40,380	32,599,247
Profit for the year	-	-	-	-	-	-	644,561	644,561	2,055	646,616
Other comprehensive expense for the year	-	-	608	(66,487)	-	-	-	(65,879)	-	(65,879)
Total comprehensive income/(expense) for the year	-	-	608	(66,487)	-	-	644,561	578,682	2,055	580,737
Shareholders' injection (Note 41)	-	88	-	-	-	-	-	88	-	88
Appropriation of profits										
- Appropriation to surplus reserve	-	-	-	-	64,110	-	(64,110)	-	-	-
- Appropriation to general reserve	-	-	-	-	-	30,645	(30,645)	-	-	-
At December 31, 2023	15,069,791	5,956,702	(3,437)	35,606	1,908,450	5,373,732	4,796,793	33,137,637	42,435	33,180,072

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Profit before tax	475,801	569,538
Adjustments for:		
Depreciation of property and equipment	265,823	260,816
Depreciation of right-of-use assets	136,256	144,387
Amortisation of intangible assets	9,570	11,106
Impairment losses on assets, net of reversals	3,101,569	3,706,972
Interest expense on lease liabilities	11,148	2,967
Interest expense on debts securities issued	669,107	590,728
Losses on disposal of repossessed assets	1,035	20,765
Losses on disposal of property and equipment	1,066	1,090
Unrealised losses/(gains) from debt securities at fair value through profit or loss	48,922	(207,831)
Net gains arising from investment securities	(41,218)	(116,592)
Government grants	(795)	(2,039)
Interest income on investments	(3,085,997)	(2,712,219)
Share of result of an associate	12	(181)
	1,592,299	2,269,507
Changes in operating assets		
Net increase in deposits with the central bank	(1,515,319)	(125,298)
Net decrease in deposits and placements with banks and other financial institutions	74,813	3,548
Net decrease/(increase) in financial assets held under resale agreements	5,914	(3,331)
Net decrease in financial assets at fair value through profit or loss	1,062,333	6,267,878
Net increase in loans and advances to customers	(10,525,240)	(10,552,954)
Net increase in other operating assets	(4,051,784)	(1,823,593)
	(14,949,283)	(6,233,750)
Changes in operating liabilities		
Net increase/(decrease) in borrowings from central bank	1,335,554	(562,389)
Net decrease in deposits from banks and other financial institutions	(5,259,474)	(4,919,128)
Net (decrease)/increase in financial assets sold under repurchase agreements	(1,973,498)	3,591,513
Net increase in deposits from customers	25,823,112	16,516,979
Net increase/(decrease) in other operating liabilities	219,656	(84,105)
	20,145,350	14,542,870

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	2024 RMB'000	2023 RMB'000
Cash generated from operations	6,788,366	10,578,627
Income tax (paid)/refunded, net	(163,424)	26,522
NET CASH FROM OPERATING ACTIVITIES	6,624,942	10,605,149
INVESTING ACTIVITIES		
Proceeds from disposal and redemption of investments	74,442,384	26,970,142
Interest income received from financial investments	2,439,789	2,863,668
Proceeds from disposal of property and equipment	11,195	10,099
Payments on acquisition of investments	(86,166,444)	(30,355,350)
Payments on acquisition of property and equipment and intangible assets	(217,130)	(169,944)
NET CASH USED IN INVESTING ACTIVITIES	(9,490,206)	(681,385)
FINANCING ACTIVITIES		
Shareholders' injection	1,957	88
Government grants received	795	2,039
Net proceeds from issue of new debt securities	37,200,000	45,000,000
Repayment of debt securities issued	(31,990,000)	(48,900,000)
Repayment of lease liabilities	(119,944)	(141,085)
Interest paid on debts securities issued	(658,892)	(557,369)
Interest paid on lease liabilities	(11,148)	(2,967)
Dividends paid	(53)	(55)
Dividends paid to non-controlling interests	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	4,422,715	(4,599,349)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,557,451	5,324,415
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	20,743,214	15,418,799
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 45)	22,300,665	20,743,214
Interest received	11,896,298	12,708,119
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(9,262,512)	(6,970,651)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

1. GENERAL

Bank of Gansu Co., Ltd (the “Bank”) was established in Lanzhou, Gansu Province, the People’s Republic of China (the “PRC”) on September 27, 2011 with the approval of National Administration of Financial Regulation (the “NAFR”), formerly known as China Banking and Insurance Regulatory Commission (“CBIRC”). Prior to its establishment, the banking business was carried out by two city commercial banks (the “Predecessor Entities”), each being located in Gansu Province.

Pursuant to reorganisation initiated by the People’s Government of Gansu Province, the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the NAFR, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Liu Qing and the address of the registered office and principal place of business is 525-1, Donggang West Road, Chengguan District, Lanzhou, Gansu Province.

On January 18, 2018, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 2139).

As at December 31, 2024, the Bank has 1 head office operational department, 12 branches, 181 sub-branches, 3 micro-to-small enterprise sub-branches, 1 community sub-branches and a subsidiary. The principal activities of the Bank and its subsidiary (hereinafter collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the NAFR. The Group operates in Gansu Province of Mainland China.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiary.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning on January 1, 2024.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after January 1, 2025.

² Effective for annual periods beginning on or after January 1, 2026.

³ Effective for annual periods beginning on or after January 1, 2027.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Bank anticipate that, except as described below, the application of other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”) (Continued)

New and amendments to IFRSs issued but not yet effective (Continued)

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the IFRS 18 is not expected to have material impact on the financial position of the Group. The directors are in the process of making an assessment of the impact of IFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments include requirements on classification of financial assets with environmental, social or governance (“ESG”) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Bank (i.e. its subsidiary). Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group is an investor of structured entities in which the Group also acts as a manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant structured entities.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entities, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of the subsidiary are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiary is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiary upon liquidation.

Investment in a subsidiary

Investment in a subsidiary is included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

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

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated, the exchange differences are recognised in profit or loss, except for exchange differences arising on the translation of non-monetary financial investments in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Cash and cash equivalents

In the consolidated statement of financial position, cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits with banks and highly liquid short-term investments which are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of interests in the associate that are unrelated to the Group. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest or dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Net interest income" line item (Note 6).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTOCI (debt instruments)

The Group's debt instruments are classified and measured subsequently at FVTOCI if both of the following conditions are met:

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

The Group's debt instruments classified at FVTOCI includes investments in debt securities. Fair value is determined in the manner described in Note 49. Debt instruments are initially measured at fair value plus transaction costs. Subsequent changes in the carrying amount for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, impairment gains or loss, and foreign exchange gains and losses are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Net gains arising from investment securities" line item in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend and interest earned on the financial assets and is included in the “Net trading gains” line item. Fair value is determined in the manner described in Note 49.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with the central bank, deposits with banks, placements with banks and other financial institutions, financial assets held under resale agreements, financial assets at amortised cost, debt instruments at FVTOCI, interest receivables and other receivables included in other assets and credit commitments). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions, including time value of money where appropriate.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit-impaired. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For credit commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a credit commitment, the Group considers changes in the risk of a default occurring on the loan to which a credit commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for credit commitments, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Measurement and recognition of ECL (Continued)

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Except for investments in debt instruments that are measured at FVTOCI and credit commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

Credit commitment

Credit commitment is provided by the Group to the customer to extend loans to the customer within the commitment period on the agreed term of the contract. The Group normally does not lend at below-market rate or provide customer with credit commitments to be settled in cash or the Group shows the impairment provision for the credit commitment in provision on a net basis through the delivery or issuance of other financial instruments. Credit commitment recognises impairment losses in accordance with IFRS 9.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligations is transferred to customers.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue under IFRS 15 from the following major sources:

- Wealth management service fees
- Bank acceptance bills service fees
- Agency services fees
- Settlement and clearing fees
- Letter of guarantee service fees

Fee and commission income is recognised at the specific point of time or for a certain period of time on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Fee and commission income charged for performance obligations performed at specific point of time are recognised when customer obtains control of relevant services, mainly including bank acceptance bills, settlement and clearing and letter of guarantee.

Fee and commission income charged for performance obligations performed during a certain period of time are recognised according to the progress of the performance during that period, mainly including, wealth management service fees and agency services fees.

In current year, the Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and estimated useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to certain premises. Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial assets held under resale and sold under repurchase agreements

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

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

Property and equipment

Property and equipment use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. They are held by the Group for operation and administration purposes with useful lives over one year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property and equipment (Continued)

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the costs of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss in accordance with the Group’s accounting policy. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property and equipment (Continued)

Ownership interests in leasehold land and buildings (Continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	5%	20 to 30 years
Electronic equipment	3%	3 to 5 years
Motor vehicles	3%	5 to 8 years
Leasehold improvement	0%	Over the shorter of 5 to 10 years or economic useful lives
Computer software	0%	Over the shorter of 5 to 8 years or economic useful lives
Office equipment	3%	5 to 8 years

Intangible assets included in “other assets”

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Repossessed assets included in “other assets”

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment on property and equipment, right-of-use assets, intangible assets and repossessed assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and repossessed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property and equipment, right-of-use assets and intangible assets and repossessed assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Employee benefits

Payments to defined contribution plan and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the consolidated statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Defined benefit costs are categorised as:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Employee benefits (Continued)

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions from employees or third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the measurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered.

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in a subsidiary and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Fiduciary activities

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

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

Expenses recognition

Other expenses

Other expenses are recognised on an accrual basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the state and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

- (a) the Bank's subsidiary;
- (b) investors that exercise significant influence over the Group;
- (c) key management personnel of the Group and close family members of such individuals;
- (d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Fair value measurement

When measuring fair value except for the Group's leasing transactions, value in use of property and equipment, right-of-use assets, intangible assets, repossessed assets and interest in an associate for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed. When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Significant influence over an associate

As per Note 25, the directors of the Bank considered Gansu Jingchuan BOC Fullerton Community Bank Co., Ltd* (“甘肅涇川中銀富登村鎮銀行股份有限公司”, “Gansu Jingchuan”), in which the Group has 16.67% equity interest in, as an associate of the Group.

The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account i) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; ii) the representation or rights to appoint/nominate directors for the board of directors of the associate; and iii) the rights to participate in the policy-making process, including dividends and other distribution.

Consolidation of structured entities

Management applies its judgement to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management products and an asset management plans.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group has controls over such structured entities based on whether the Group has the practical ability to direct the relevant activities of the entity unilaterally, such as the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest in each case is not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 43.

Legal title of premises

As detailed in Note 27, certain of the Group's premises as at December 31, 2024 and 2023 of which the Group had not obtained the relevant legal titles, the premises were recognised in the consolidated statement of financial position as at December 31, 2024 and 2023 based on the legal opinion and management judgement that the Group is in substance controlling these premises.

At December 31, 2024, the premises with carrying values of approximately RMB143,454,000 was in the process of obtaining the relevant legal titles (2023: approximately RMB1,815,137,000).

* The English translation is for identification only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ECL on major financial assets

The Bank has adopted IFRS 9 to measure and account for financial instruments. For deposits with banks, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised cost, provision for bank acceptances and letters of guarantees and credit commitments, the measurement of ECL uses complex models and a large number of assumptions. These models and assumptions relate to future macroeconomic conditions and borrowers' credit behavior (e.g. the probability of default and the corresponding losses).

According to the requirements of accounting standards, the measurement of ECL involves many critical judgements. For example:

- Judge the standard of significant increase in credit risk;
- Select proper models and assumptions of measurement of ECL;
- For different types of financial instruments, determine the number and weight of forward-looking scenarios to be used in measuring ECL;
- Divide the measurement of ECL into groups by characteristics of financial instruments, and the items with similar credit risk characteristics are grouped into one combination.

As at December 31, 2024, the carrying amount of deposits with banks, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets at amortised costs were approximately RMB1,028,720,000, RMB5,001,750,000, RMB8,989,174,000, RMB225,595,610,000 and RMB101,407,980,000 respectively (2023: RMB2,866,129,000, RMB2,407,239,000, RMB10,664,017,000, RMB217,089,858,000 and RMB84,521,553,000 respectively), net of accumulated impairment losses of RMB52,000, RMB2,741,000, nil, RMB5,818,681,000 and RMB3,842,163,000 (2023: RMB2,098,000, RMB467,000, RMB106,000, RMB5,781,752,000 and RMB3,112,583,000).

As at December 31, 2024, the carrying amount of provision for bank acceptances and letters of guarantees under financial liabilities were approximately RMB68,879,000 (2023: approximately RMB89,420,000).

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

ECL on major financial assets (Continued)

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

ECL on major financial assets (Continued)

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Valuation of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

As at December 31, 2024, the financial assets that are measured at fair value on a recurring basis is approximately RMB36,043,337,000 (2023: approximately RMB42,500,130,000).

Impairment of non-financial assets

Non-financial assets (i.e., property and equipment, repossessed assets, right-of-use assets, intangible assets and interest in an associate) are reviewed when impairment indicators once occurred to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the value in use, significant judgements are exercised over the present value of future cash flows, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

As at December 31, 2024, the carrying amount of non-financial assets was approximately RMB10,130,326,000 (2023: approximately RMB6,096,358,000), net of accumulated impairment loss of RMB38,088,000 (2023: nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Depreciation and amortisation

Property and equipment are depreciated using the straight-line method over their estimated useful lives after taking into account residual values. Right-of-use assets are depreciated using the straight-line method over the shorter period of lease term and estimated useful life of the underlying assets. Intangible assets are amortised using the straight-line method over their estimated useful lives. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

As at December 31, 2024, the carrying amount of property and equipment was approximately RMB2,816,724,000 (2023: approximately RMB2,881,910,000), net of accumulated depreciation of approximately RMB2,488,353,000 (2023: approximately RMB2,245,728,000).

As at December 31, 2024, the carrying amount of right-of-use assets was approximately RMB330,874,000 (2023: approximately RMB248,309,000), net of accumulated depreciation of approximately RMB850,239,000 (2023: approximately RMB713,983,000).

As at December 31, 2024, the carrying amount of intangible assets was approximately RMB14,383,000 (2023: approximately RMB2,977,000), net of accumulated amortisation of approximately RMB48,267,000 (2023: approximately RMB67,738,000).

Impairment of interest in an associate

In determining whether the interest in an associate are impaired, the directors of the Bank assesses the recoverable amount of the interest in an associate which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interest in an associate exceeds its recoverable amount. In determining the recoverable amount of the interest in an associate, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associate in order to determine the value in use of the interest in an associate.

As at December 31, 2024, the carrying amount of interest in an associate was approximately RMB10,341,000 (2023: approximately RMB10,353,000). No impairment loss was recognised as at December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) **Urban maintenance and construction tax**

Urban maintenance and construction tax is calculated as 5%-7% of value added tax.

(b) **Education surcharge**

Education surcharge is calculated as 3% of value added tax.

(c) **Local education surcharge**

Local education surcharge is calculated as 2% of value added tax.

(d) **Income tax**

The income tax is calculated on taxable income. The statutory income tax rate is 15%-25%.

(e) **Value added tax**

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from 1 May 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. NET INTEREST INCOME

	2024 RMB'000	2023 RMB'000
Interest income arising from		
– Deposits with the central bank	259,922	243,042
– Deposits with banks	23,816	15,573
– Placements with banks and other financial institutions	19,973	4,742
– Loans and advances to customers:		
Corporate loans and advances	6,578,738	7,613,439
Personal loans and advances	2,355,893	2,553,600
Discounted bills	336,574	439,170
– Financial assets held under resale agreements	317,193	318,849
– Financial assets at fair value through other comprehensive income	320,016	341,702
– Financial assets at amortised cost	2,765,981	2,370,517
	12,978,106	13,900,634
Less: Interest expenses arising from		
– Borrowings from the central bank	(129,793)	(143,956)
– Deposits from banks and other financial institutions	(554,572)	(648,531)
– Placements from banks	(23,919)	(51,186)
– Deposits from customers:		
Corporate customers	(1,423,829)	(1,516,734)
Individual customers	(5,431,075)	(5,393,524)
– Financial assets sold under repurchase agreements	(98,364)	(118,476)
– Debts securities issued	(669,107)	(590,728)
– Lease liabilities	(11,148)	(2,967)
	(8,341,807)	(8,466,102)
	4,636,299	5,434,532

Note:

All of the interest income and interest expense for the years ended December 31, 2024 and 2023 are calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

7. NET FEE AND COMMISSION INCOME

	2024 RMB'000	2023 RMB'000
Fee and commission income		
– Wealth management service fees	116,385	99,888
– Bank acceptance bills service fees	16,543	14,835
– Agency services fees	45,444	46,350
– Settlement and clearing fees	140,313	155,832
– Letter of guarantee service fees	73,341	70,089
– Others	42,383	37,006
	434,409	424,000
Fee and commission expenses		
– Settlement and clearing fees	(9,441)	(8,953)
– Bank card service fees	(24,646)	(34,863)
– Others	(207)	(275)
	(34,294)	(44,091)
	400,115	379,909

All of the fee and commission income and expenses are related to financial assets or financial liabilities which are not designated at FVTPL.

8. NET TRADING GAINS

	2024 RMB'000	2023 RMB'000
Financial assets at FVTPL		
– Realised gains from debt securities	839,405	298,661
– Unrealised (losses) gains from debt securities	(48,922)	207,831
Interest income arising from financial assets at FVTPL	38,386	122,524
	828,869	629,016

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2024 RMB'000	2023 RMB'000
Net gains on disposal of financial assets at fair value through other comprehensive income	41,218	116,592

10. OTHER OPERATING INCOME, NET

	2024 RMB'000	2023 RMB'000
Government grants (Note a)	795	2,039
Losses on disposal of property and equipment	(1,066)	(1,090)
Losses on disposal of repossessed assets	(1,035)	(20,765)
Rental income	2,871	2,731
Penalty income (Note b)	–	80,510
Other operating income (expenses), net	7,471	(5,862)
	9,036	57,563

Notes:

- (a) Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.
- (b) The amount represented the one-off penalty income from defaulted debtor as liquidated damages.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

11. OPERATING EXPENSES

	2024 RMB'000	2023 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	878,438	834,815
– Staff welfares	38,348	56,067
– Social insurance	238,566	249,407
– Housing allowances	91,989	94,733
– Labor union and staff education expenses	15,926	19,928
– Others	6,602	6,848
	1,269,869	1,261,798
Premises and equipment expenses		
– Depreciation of property and equipment	265,823	260,816
– Depreciation of right-of-use assets	136,256	144,387
– Amortisation of intangible assets	9,570	11,106
– Rental and property management expenses	15,019	16,245
	426,668	432,554
Business tax and surcharges	102,007	103,640
Other general and administrative expenses (Note)	578,032	590,821
	2,376,576	2,388,813

Note: Auditor's remuneration for the year ended December 31, 2024 was approximately RMB3,100,000 (2023: approximately RMB3,340,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of directors and supervisors of the Bank paid and/or payable by the Group during the years ended December 31, 2024 and 2023 are set out below:

	For the year ended December 31, 2024				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
LIU Qing ⁽¹⁾	-	324	159	403	886
WANG Xizhen ⁽¹⁾	-	310	156	271	737
Non-executive directors					
GUO Jirong ⁽²⁾	-	-	-	-	-
ZHANG Youda ⁽²⁾	-	-	-	-	-
ZHAO Xingjun ^{(2),(12)}	-	-	-	-	-
YANG Chunmei ⁽²⁾	-	-	-	-	-
ZHANG Junping ^{(2),(5)}	-	-	-	-	-
ZHANG Tingting ^{(2),(5)}	-	-	-	-	-
YE Rong ^{(2),(13)}	-	-	-	-	-
Independent non-executive directors					
DONG Ximiao ⁽²⁾	143	-	-	-	143
WANG Tingting ⁽²⁾	143	-	-	-	143
LIU Guanghua ⁽²⁾	143	-	-	-	143
WANG Lei ^{(2),(5)}	143	-	-	-	143
HAU Pak Sun ^{(2),(8)}	143	-	-	-	143
Supervisors					
ZENG Lehu	-	-	-	-	-
LUO Yi	143	-	-	-	143
ZHANG Yanlong	-	-	-	-	-
HAN Zhenjiang	-	-	-	-	-
MA Runping	143	-	-	-	143
LI Zongyi	143	-	-	-	143
WANG Xiaopei	-	315	145	252	712
LIU Peixun	-	271	138	295	704
	1,144	1,220	598	1,221	4,183
Senior management					
CAI Tong ⁽¹¹⁾	-	280	151	234	665
HAO Jumei	-	280	151	351	782
DU Jing	-	280	151	345	776
SUN Xiaoming ⁽¹⁴⁾	-	210	114	132	456
FENG Yuhui ⁽¹⁵⁾	-	262	118	328	708
DUAN Jianxing ⁽¹⁰⁾	-	328	144	360	832
GUO Li ⁽¹⁰⁾	-	270	128	307	705
NIE Lei ⁽¹⁰⁾	-	-	-	-	-
	-	1,910	957	2,057	4,924
Total	1,144	3,130	1,555	3,278	9,017

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments of directors and supervisors of the Bank paid and/or payable by the Group during the years ended December 31, 2024 and 2023 are set out below: (Continued)

	For the year ended December 31, 2023				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
LIU Qing ⁽¹⁾	–	333	155	402	890
WANG Xizhen ⁽¹⁾	–	317	152	194	663
Non-executive directors					
WU Changhong ^{(2),(3)}	–	–	–	–	–
GUO Jirong ⁽²⁾	–	–	–	–	–
ZHANG Youda ⁽²⁾	–	–	–	–	–
SHI Guanglei ^{(2),(3)}	–	–	–	–	–
ZHAO Xingjun ^{(2),(12)}	–	–	–	–	–
YANG Chunmei ⁽²⁾	–	–	–	–	–
CHEN Jinhui ^{(2),(4)}	–	168	111	173	452
ZHANG Junping ^{(2),(5)}	–	–	–	–	–
ZHANG Tingting ^{(2),(5)}	–	–	–	–	–
Independent non-executive directors					
LUO Mei ^{(2),(6)}	107	–	–	–	107
WONG Sincere ^{(2),(7)}	119	–	–	–	119
DONG Ximiao ⁽²⁾	143	–	–	–	143
WANG Tingting ⁽²⁾	143	–	–	–	143
LIU Guanghua ⁽²⁾	143	–	–	–	143
WANG Lei ^{(2),(5)}	36	–	–	–	36
HAU Pak Sun ^{(2),(8)}	23	–	–	–	23
Supervisors					
TANG Lan ⁽⁹⁾	–	116	63	302	481
ZENG Lehu	–	–	–	–	–
LUO Yi	143	–	–	–	143
ZHANG Yanlong	–	–	–	–	–
HAN Zhenjiang	–	–	–	–	–
MA Runping	143	–	–	–	143
LI Zongyi	143	–	–	–	143
WANG Xiaopei	–	326	142	270	738
LIU Peixun	–	300	150	316	766
	1,143	1,560	773	1,657	5,133
Senior management					
CAI Tong ⁽¹¹⁾	–	285	148	174	607
HAO Jumei	–	285	148	351	784
DU Jing	–	285	148	394	827
FENG Yuhui ⁽¹⁵⁾	–	357	159	330	846
DUAN Jianxing ⁽¹⁰⁾	–	319	136	327	782
GUO Li ⁽¹⁰⁾	–	292	132	328	752
NIE Lei ⁽¹⁰⁾	–	–	–	–	–
	–	1,823	871	1,904	4,598
Total	1,143	3,383	1,644	3,561	9,731

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

- (1) The emolument represent the payments to the directors in respect of their service in connection with management affair of the Group.
- (2) The emolument represent the payments to the directors in respect of their service as a director.
- (3) Resigned on 6 June 2023.
- (4) Appointed on 18 January 2023 and resigned on 10 October 2023.
- (5) Appointed on 15 September 2023.
- (6) Resigned on 15 September 2023.
- (7) Resigned on 16 October 2023.
- (8) Appointed on 16 October 2023.
- (9) Resigned on 3 June 2023.
- (10) Appointed on 18 January 2023.
- (11) Appointed on 18 January 2023 and resigned on 31 December 2024.
- (12) Resigned on 31 May 2024.
- (13) Appointed on 19 September 2024.
- (14) Appointed on 1 April 2024.
- (15) Resigned on 28 October 2024.

Mr. LIU Qing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended December 31, 2024 and 2023. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the years ended December 31, 2024 and 2023.

Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics for such financial year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the directors or supervisors of the Group whose emolument are disclosed in Note 12 above are the five individuals with the highest emoluments for the years ended December 31, 2024 and 2023.

The emoluments of the five individuals with the highest emoluments in the Group for the years ended December 31, 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	1,691	1,656
Retirement benefits scheme contributions	709	728
Discretionary bonuses	2,036	1,861
	4,436	4,245

Their emoluments were within the following bands:

	2024 No. of employees	2023 No. of employees
HK\$ nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	–

No emoluments were paid by the Group to the five individuals with the highest emoluments of the Bank as an incentive payment for joining the Group or as compensation for loss of office during the year ended December 31, 2024 (2023: nil).

14. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	2024 RMB'000	2023 RMB'000
Impairment losses, net of reversals on:		
Deposits with banks	(2,046)	2,098
Placements with banks and other financial institutions	2,274	467
Financial assets held under resale agreements	(106)	106
Financial assets at FVTOCI	(989)	1,709
Financial assets at amortised cost	968,884	1,473,752
Loans and advances to customers	2,019,488	2,086,266
Acceptance bills, letters of guarantees and unused credit card commitments	(20,541)	36,376
Reposessed assets	38,088	–
Other assets	96,517	106,198
	3,101,569	3,706,972

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

15. INCOME TAX CREDIT

(a) Income tax:

	2024 RMB'000	2023 RMB'000
Current tax:		
– PRC Enterprise Income Tax	155,770	113,281
Deferred tax (Note 29)		
– Current year	(264,735)	(190,359)
	(108,965)	(77,078)

Income tax relating to items recognised in the other comprehensive income is disclosed as follows:

Consolidated other comprehensive income

	2024 RMB'000	2023 RMB'000
Deferred tax		
Provision for impairment losses on assets	247	(425)
Net losses from fair value changes of financial instruments	(24,572)	22,590
Salaries, bonuses and allowances payable	618	(203)
Deferred tax (charged) credited to other comprehensive income	(23,707)	21,962

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. Pingliang Jingning Chengji Rural Bank Co., Ltd.* ("平凉市静宁成纪村镇银行股份有限公司", "Jingning Chengji Rural Bank"), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15% for the years ended December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

15. INCOME TAX CREDIT (Continued)

(b) The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	475,801	569,538
Tax at domestic income tax rate of 25% (2023: 25%)	118,950	142,385
Tax effect of share of result of an associate	3	(45)
Tax effect of expenses not deductible for tax purpose (note i)	167,864	135,088
Tax effect of income that are not taxable for tax purpose (note ii)	(394,989)	(353,806)
Income tax on concessionary rate	(793)	(700)
Income tax credit	(108,965)	(77,078)

* The English translation is for identification only.

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditures, such as entertainment expenses, impairment losses on assets (net of reversals), staff costs and donations, which exceed the tax deduction limits in accordance with the PRC tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from micro loans to farmers and government bonds, which is exempted from income tax under the PRC tax regulation.

Details of the deferred taxation are set out in Note 29.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	2024	2023
Profit for the year attributable to owners of the Bank (RMB'000)	582,348	644,561
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	15,069,791	15,069,791

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2024 RMB'000	2023 RMB'000
Cash on hand	476,212	404,696
Deposits with the central bank		
– Statutory deposit reserve (Note a)	15,822,121	14,348,013
– Surplus deposit reserve (Note b)	6,809,472	4,486,645
– Fiscal deposits	56,726	14,822
	22,688,319	18,849,480
Accrued interest	7,086	7,779
	23,171,617	19,261,955

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations in the PRC. As at December 31, 2024 and 2023, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2024	2023
Reserve ratio for RMB deposits	5%	5%
Reserve ratio for foreign currency deposits	4%	4%

The statutory deposit reserves are restricted balances with central bank and are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

18. DEPOSITS WITH BANKS

Analysed by type and location of counterparty

	2024 RMB'000	2023 RMB'000
Deposits in Mainland China		
– Banks	1,015,699	2,846,266
Deposits outside Mainland China		
– Banks	10,872	19,846
Accrued interest	1,026,571 2,201	2,866,112 2,115
Less: Provision for impairment losses (Notes a and b)	(52)	(2,098)
	1,028,720	2,866,129

Notes:

a) Provision for impairment losses:

	At December 31, 2024			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross deposits with banks (excluding accrued interest)	1,026,571	–	–	1,026,571
Less: Provision for impairment losses	(52)	–	–	(52)
	1,026,519	–	–	1,026,519

	At December 31, 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross deposits with banks (excluding accrued interest)	2,866,112	–	–	2,866,112
Less: Provision for impairment losses	(2,098)	–	–	(2,098)
	2,864,014	–	–	2,864,014

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

18. DEPOSITS WITH BANKS (Continued)

Analysed by type and location of counterparty (Continued)

Notes: (Continued)

b) Movements in provision for impairment losses of deposits with banks:

Provision for impairment losses of deposits with banks	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023, December 31, 2023 and January 1, 2024	2,098	–	–	2,098
– Credit to profit or loss	(2,046)	–	–	(2,046)
Provision for impairment losses at December 31, 2024	52	–	–	52

19. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 RMB'000	2023 RMB'000
Placements in Mainland China		
– Banks	900,000	–
– Other financial institutions	4,100,000	2,407,000
Accrued interest	5,000,000 4,491	2,407,000 706
Less: Provision for impairment losses (Notes a and b)	(2,741)	(467)
	5,001,750	2,407,239

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

19. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

Notes:

a) Provision for impairment losses:

	At December 31, 2024			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross placements with banks and other financial institutions (excluding accrued interest)	5,000,000	–	–	5,000,000
Less: Provision for impairment losses	(2,741)	–	–	(2,741)
	4,997,259	–	–	4,997,259

	At December 31, 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross placements with banks and other financial institutions (excluding accrued interest)	2,407,000	–	–	2,407,000
Less: Provision for impairment losses	(467)	–	–	(467)
	2,406,533	–	–	2,406,533

b) Movements in provision for impairment losses of placements with banks and other financial institutions:

Provision for impairment losses of placements with banks and other financial institutions	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023, December 31, 2023 and January 1, 2024	467	–	–	467
– Charge to profit or loss	2,274	–	–	2,274
Provision for impairment losses at December 31, 2024	2,741	–	–	2,741

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2024 RMB'000	2023 RMB'000
In Mainland China		
– Banks	–	494,000
– Other financial institutions	8,988,410	10,163,445
	8,988,410	10,657,445
Accrued interest	764	6,678
Less: Provision for impairment losses (Notes c and d)	–	(106)
	8,989,174	10,664,017

(b) Analysed by type of security held

	2024 RMB'000	2023 RMB'000
Debt securities		
– Government	4,930,340	3,224,365
– Banks and other financial institutions	4,058,070	7,433,080
	8,988,410	10,657,445
Accrued interest	764	6,678
Less: Provision for impairment losses	–	(106)
	8,989,174	10,664,017

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(Continued)

(c) Provision for impairment losses:

	At December 31, 2024			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross financial assets held under resale agreements (excluding accrued interest)	8,988,410	–	–	8,988,410
Less: Provision for impairment losses	–	–	–	–
	8,988,410	–	–	8,988,410

	At December 31, 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL-credit- impaired RMB'000	Total RMB'000
Gross financial assets held under resale agreements (excluding accrued interest)	10,657,445	–	–	10,657,445
Less: Provision for impairment losses	(106)	–	–	(106)
	10,657,339	–	–	10,657,339

(d) Movements in provision for impairment losses of financial assets held under resale agreements:

Provision for impairment losses of financial assets held under resale agreements	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023, December 31, 2023 and January 1, 2024	106	–	–	106
– Credit to profit or loss	(106)	–	–	(106)
Provision for impairment losses at December 31, 2024	–	–	–	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

21. FINANCIAL ASSETS AT AMORTISED COST

	2024 RMB'000	2023 RMB'000
Financial asset measured at amortised cost		
Debt securities issued by the following institutions in Mainland China		
– Government	29,495,308	34,967,255
– Banks	3,786,541	–
– Other financial institutions	45,396,326	23,316,837
– Corporations	4,037,061	5,494,179
Trust plans	12,455,158	13,352,061
Asset management plans	7,273,869	8,355,210
Asset-backed securities issued by bank and other institutions	23,867	24,347
	102,468,130	85,509,889
Accrued interest	2,782,013	2,124,247
Less: Provision for impairment losses (Notes a and b)	(3,842,163)	(3,112,583)
	101,407,980	84,521,553
Analysed as:		
Listed outside Hong Kong	81,948,152	62,033,951
Unlisted outside Hong Kong	19,459,828	22,487,602
	101,407,980	84,521,553
Fair value	102,185,387	83,772,526

At December 31, 2024 and 2023, parts of debt securities were pledged as security for repurchase agreements (Note 31(a) and Note 35(c)).

Notes to the Consolidated Financial Statements

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21. FINANCIAL ASSETS AT AMORTISED COST (Continued)

Notes:

(a) Provision for impairment losses of financial assets at amortised cost:

	At December 31, 2024			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross financial assets at amortised cost (excluding accrued interest)	85,360,245	8,438,031	8,669,854	102,468,130
Less: Provision for impairment losses	(58,307)	(904,360)	(2,879,496)	(3,842,163)
	85,301,938	7,533,671	5,790,358	98,625,967

	At December 31, 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross financial assets at amortised cost (excluding accrued interest)	68,243,081	8,853,447	8,413,361	85,509,889
Less: Provision for impairment losses	(87,868)	(234,546)	(2,790,169)	(3,112,583)
	68,155,213	8,618,901	5,623,192	82,397,306

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

21. FINANCIAL ASSETS AT AMORTISED COST (Continued)

Notes: (Continued)

(b) Movements in provision for impairment losses of financial assets at amortised cost

Provision for impairment losses of financial assets at amortised cost	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023	156,023	226,677	1,678,752	2,061,452
Changes in the provision for impairment losses				
– Transfer to stage 1	25,097	–	(25,097)	–
– Transfer to stage 2	(27,597)	27,597	–	–
– Transfer to stage 3	(1,226)	(98,972)	100,198	–
– Write off and others	–	–	(422,621)	(422,621)
– (Reversal) charge to profit or loss	(64,429)	79,244	1,458,937	1,473,752
Provision for impairment losses at December 31, 2023 and January 1, 2024	87,868	234,546	2,790,169	3,112,583
Changes in the provision for impairment losses				
– Transfer to stage 2	(27,193)	27,193	–	–
– Transfer to stage 3	(7,911)	(675)	8,586	–
– Write off and others	–	–	(239,304)	(239,304)
– Charge to profit or loss	5,543	643,296	320,045	968,884
Provision for impairment losses at December 31, 2024	58,307	904,360	2,879,496	3,842,163

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2024 RMB'000	2023 RMB'000
Gross loans and advances to customers		
Corporate loans and advances	154,092,669	142,825,255
Personal loans and advances		
– Personal business loans	5,373,488	5,646,000
– Personal consumption loans	19,028,507	18,302,325
– Residential and commercial mortgage loans	29,413,942	28,023,682
	53,815,937	51,972,007
Discounted bills	16,950,891	22,320,101
	224,859,497	217,117,363
Accrued interest	6,554,794	5,754,247
Less: Provision for impairment losses	(5,818,681)	(5,781,752)
	225,595,610	217,089,858

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At December 31, 2024		
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Manufacturing	35,269,778	15.24%	15,594,002
– Wholesale and retail	13,640,665	5.89%	7,118,904
– Real estate	12,630,559	5.46%	11,220,627
– Construction	16,005,163	6.92%	5,617,775
– Mining	7,101,312	3.07%	1,388,377
– Agriculture, forestry, animal husbandry and fishery	6,780,395	2.93%	2,391,930
– Leasing and business services	26,292,742	11.36%	8,258,793
– Water, environment and public facility management	3,696,449	1.60%	1,868,454
– Cultural, sports and entertainment	2,496,530	1.08%	1,895,285
– Accommodation and catering	1,982,986	0.86%	1,743,099
– Electricity, gas and water production and supply	4,939,985	2.13%	1,133,396
– Transportation, storage and postal services	11,472,075	4.96%	1,215,264
– Health and social services	2,131,950	0.92%	996,780
– Education	1,220,827	0.53%	279,171
– Finance	7,381,016	3.19%	–
– Scientific research, technical services and geological prospecting	549,946	0.24%	132,431
– Resident and other services	350,810	0.15%	283,280
– Information transmission, computer services and software	149,481	0.06%	41,003
	154,092,669	66.59%	61,178,571
Personal loans and advances	53,815,937	23.26%	31,549,230
Discounted bills	16,950,891	7.32%	–
Accrued interest	6,554,794	2.83%	–
	231,414,291	100%	92,727,801
Less: Provision for impairment losses	(5,818,681)		
	225,595,610		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

At December 31, 2023			
	Amount RMB'000	Percentage	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Manufacturing	31,675,579	14.21%	13,257,804
– Wholesale and retail	12,502,118	5.61%	7,627,959
– Real estate	10,959,387	4.92%	10,732,243
– Construction	14,628,041	6.56%	6,101,271
– Mining	6,392,272	2.87%	1,247,038
– Agriculture, forestry, animal husbandry and fishery	7,648,831	3.43%	2,579,907
– Leasing and business services	24,667,307	11.07%	8,177,068
– Water, environment and public facility management	4,234,654	1.90%	2,364,550
– Cultural, sports and entertainment	3,249,550	1.46%	2,632,265
– Accommodation and catering	2,617,968	1.17%	2,260,482
– Electricity, gas and water production and supply	3,198,530	1.44%	1,723,223
– Transportation, storage and postal services	10,843,145	4.87%	1,420,280
– Health and social services	2,130,168	0.96%	955,550
– Education	1,568,516	0.70%	442,098
– Finance	5,592,750	2.51%	–
– Scientific research, technical services and geological prospecting	350,595	0.16%	44,470
– Resident and other services	444,154	0.20%	363,647
– Information transmission, computer services and software	121,690	0.05%	28,940
	142,825,255	64.09%	61,958,795
Personal loans and advances	51,972,007	23.32%	29,695,575
Discounted bills	22,320,101	10.01%	–
Accrued interest	5,754,247	2.58%	–
	222,871,610	100.00%	91,654,370
Less: Provision for impairment losses	(5,781,752)		
	217,089,858		

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For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at December 31, 2024 and 2023, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At December 31, 2024					
	Gross credit-impaired loans and advances RMB'000	ECL			Charge for the year RMB'000	Written-off during the year RMB'000
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
– Manufacturing	1,240,073	400,221	318,704	450,160	647,431	157
– Leasing and business services	21,452	236,762	20,701	11,027	57,278	–

	At December 31, 2023					
	Gross credit-impaired loans and advances RMB'000	ECL			Charge (reversal) for the year RMB'000	Written-off during the year RMB'000
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
– Manufacturing	227,144	324,878	357,144	124,188	325,474	130,536
– Leasing and business services	31,317	201,464	19,308	18,493	(171,366)	–

(c) Analysed by type of collateral

	2024 RMB'000	2023 RMB'000
Gross loans and advances to customers		
Unsecured loans	42,975,692	33,870,775
Guaranteed loans	75,773,806	78,329,382
Collateralised loans	92,727,801	91,654,370
Pledged loans	13,382,198	13,262,836
	224,859,497	217,117,363
Accrued interest	6,554,794	5,754,247
Less: Provision for impairment losses	(5,818,681)	(5,781,752)
	225,595,610	217,089,858

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue year

	At December 31, 2024				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	247,992	367,964	248,567	124,326	988,849
Guaranteed loans	905,088	599,853	164,269	265,345	1,934,555
Collateralised loans	1,717,640	705,680	479,024	397,783	3,300,127
Pledged loans	15,541	124,984	6,176	10,517	157,218
	2,886,261	1,798,481	898,036	797,971	6,380,749
As a percentage of gross loans and advances to customers (excluding accrued interest)	1.28%	0.80%	0.40%	0.35%	2.83%

	At December 31, 2023				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	270,734	236,322	100,504	261,285	868,845
Guaranteed loans	735,170	158,928	317,971	359,473	1,571,542
Collateralised loans	1,900,181	632,077	379,729	556,795	3,468,782
Pledged loans	25,242	5,328	3,062	14,272	47,904
	2,931,327	1,032,655	801,266	1,191,825	5,957,073
As a percentage of gross loans and advances to customers (excluding accrued interest)	1.35%	0.48%	0.37%	0.55%	2.75%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	At December 31, 2024			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross loans and advances to customers (excluding accrued interest)	210,405,051	10,101,953	4,352,493	224,859,497
Less: Provision for impairment losses	(1,579,533)	(1,541,036)	(2,698,112)	(5,818,681)
	208,825,518	8,560,917	1,654,381	219,040,816

	At December 31, 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Gross loans and advances to customers (excluding accrued interest)	203,909,477	8,873,487	4,334,399	217,117,363
Less: Provision for impairment losses	(1,507,043)	(1,379,021)	(2,895,688)	(5,781,752)
	202,402,434	7,494,466	1,438,711	211,335,611

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the ECL are further classified into “Normal”, “Special mention”, “Substandard”, “Doubtful” and “Loss” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.

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For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

As at December 31, 2024 and 2023, an analysis of the gross amount of loans and advances to customers with the grading of the loan is as follows:

	At December 31, 2024			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Normal	210,405,051	553,758	1,485	210,960,294
Special mention	-	9,548,195	10,300	9,558,495
Substandard	-	-	2,351,211	2,351,211
Doubtful	-	-	553,024	553,024
Loss	-	-	1,436,473	1,436,473
Gross carrying amount (excluding accrued interest)	210,405,051	10,101,953	4,352,493	224,859,497
Less: Provision for impairment losses	(1,579,533)	(1,541,036)	(2,698,112)	(5,818,681)
Net carrying amount	208,825,518	8,560,917	1,654,381	219,040,816

	At December 31, 2023			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Normal	203,909,477	-	-	203,909,477
Special mention	-	8,873,487	-	8,873,487
Substandard	-	-	2,087,349	2,087,349
Doubtful	-	-	385,116	385,116
Loss	-	-	1,861,934	1,861,934
Gross carrying amount (excluding accrued interest)	203,909,477	8,873,487	4,334,399	217,117,363
Less: Provision for impairment losses	(1,507,043)	(1,379,021)	(2,895,688)	(5,781,752)
Net carrying amount	202,402,434	7,494,466	1,438,711	211,335,611

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For the year ended December 31, 2024

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements in provision for impairment losses

Provision for impairment losses – Loans and advances to customers	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023	2,148,353	1,638,038	1,862,880	5,649,271
Changes in the provision for impairment losses				
– Transfer to stage 1	154,401	(128,514)	(25,887)	–
– Transfer to stage 2	(33,657)	44,402	(10,745)	–
– Transfer to stage 3	(21,979)	(90,191)	112,170	–
– Write-offs and others	–	–	(2,073,937)	(2,073,937)
– (Reversal) charge to profit or loss	(740,075)	(84,714)	2,911,055	2,086,266
– Recoveries of loans and advances previously written off	–	–	120,152	120,152
Provision for impairment losses at December 31, 2023 and January 1, 2024	1,507,043	1,379,021	2,895,688	5,781,752
Changes in the provision for impairment losses				
– Transfer to stage 1	144,668	(120,299)	(24,369)	–
– Transfer to stage 2	(30,640)	47,747	(17,107)	–
– Transfer to stage 3	(18,977)	(59,815)	78,792	–
– Write-offs and others	–	–	(2,102,663)	(2,102,663)
– (Reversal) charge to profit or loss	(22,561)	294,382	1,747,667	2,019,488
– Recoveries of loans and advances previously written off	–	–	120,104	120,104
Provision for impairment losses at December 31, 2024	1,579,533	1,541,036	2,698,112	5,818,681

(g) Analysed by geographical sector

Geographically, the Group mainly conduct their businesses and most of their customers and assets are located in Gansu Province of the PRC.

Notes to the Consolidated Financial Statements

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23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Financial assets held for trading (Note (i))	511,241	2,467,717
Trust plans	4,108,693	1,527,326
Asset management plans	2,976,279	6,411,582
Investment funds	20,938,600	19,239,443
	28,534,813	29,646,068
Analysed as:		
Listed outside Hong Kong	511,241	2,467,717
Unlisted outside Hong Kong	28,023,572	27,178,351
	28,534,813	29,646,068

Notes:

(i) Financial assets held for trading:

	2024 RMB'000	2023 RMB'000
Debt securities issued by the following institutions in Mainland China:		
– Government	–	51,652
– Banks	–	1,177,550
– Other financial institutions	511,241	1,238,515
	511,241	2,467,717

As at December 31, 2024, no financial assets at FVTPL were subject to material restrictions on the realisation (2023: nil).

The above debt securities traded on the China Interbank Bond Market are included in “Listed outside Hong Kong”.

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Debt instruments classified at FVTOCI		
Debt securities issued by the following institutions in Mainland China		
– Government	2,784,188	2,897,699
– Banks and other financial institutions	3,735,908	8,937,922
	6,520,096	11,835,621
Listed equity investments designated at FVTOCI	62,841	84,957
Unlisted equity investments designated at FVTOCI	807,068	803,407
Accrued interest	118,519	130,077
	7,508,524	12,854,062
Analysed as:		
Listed outside Hong Kong	6,701,456	12,050,655
Unlisted outside Hong Kong	807,068	803,407
	7,508,524	12,854,062

At December 31, 2024 and 2023, parts of debt securities were pledged as security for repurchase agreements (Note 31(a) and Note 35(c)).

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Bank have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Notes to the Consolidated Financial Statements

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes:

Movements in provision for impairment losses:

Provision for impairment losses – Debt instruments at fair value through other comprehensive income	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for impairment losses at January 1, 2023	805	–	–	805
– Movement during the year	1,709	–	–	1,709
Provision for impairment losses at December 31, 2023 and January 1, 2024	2,514	–	–	2,514
– Movement during the year	(989)	–	–	(989)
Provision for impairment losses at December 31, 2024	1,525	–	–	1,525

25. INTEREST IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Cost of investment in an associate, unlisted	3,000	3,000
Share of post-acquisition profits	7,341	7,353
	10,341	10,353

As at December 31, 2024 and 2023, the Group had interests in the following associate:

Name of the bank	Form of entity	Country of establishment/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				2024	2023	2024	2023	
Gansu Jingchuan	Limited liability	The PRC	Ordinary shares	16.67%	16.67%	16.67%	16.67%	Corporate and retail bank

Note: This associate is directly held by the Bank. The Group considered that it has the practical ability to exercise significant influence over Gansu Jingchuan even though it owns less than 20% of the ownership interest and voting control after taking into account 1) the Group's ownership interest is significant relative to other shareholders due to the wide dispersion of shareholding interests; 2) the representation or rights to appoint/nominate directors for the board of directors of the associate; and 3) the rights to participate in the policy-making process, including dividends and other distribution.

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For the year ended December 31, 2024

25. INTEREST IN AN ASSOCIATE (Continued)

The financial information and carrying amount of the Group's interest in an associate that is not material and is accounted for using the equity method are set out below:

	2024 RMB'000	2023 RMB'000
The Group's share of (loss) profit and total comprehensive (expense) income for the year	(12)	181
	2024 RMB'000	2023 RMB'000
Carrying amount of the Group's interest in the immaterial associate	10,341	10,353

26. PARTICULARS OF A SUBSIDIARY

Name of subsidiary	Place of establishment/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
				At December 31, 2024	2023	At December 31, 2024	2023	At December 31, 2024	2023	
Jingning Chengji Rural Bank	The PRC	Ordinary	Joint stock company with limited liability	40,250	40,250	62.73%	62.73%	62.73%	62.73%	Corporate and retail banking

The subsidiary is directly held by the Bank and has no material non-controlling interests to the Group for the years ended December 31, 2024 and 2023.

None of the subsidiaries had issued any debt securities during both years and at the years ended December 31, 2024 and 2023.

Notes to the Consolidated Financial Statements

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27. PROPERTY AND EQUIPMENT

	Construction in progress RMB'000	Premises (Buildings) RMB'000	Electronic and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Computer software RMB'000	Total RMB'000
Cost							
At January 1, 2023	201,656	2,830,797	758,144	48,837	588,996	570,620	4,999,050
Additions	33,254	12,681	33,388	434	26,093	58,213	164,063
Transfers (out)/in from construction in progress	(40,806)	21,804	3,334	-	2,224	13,444	-
Disposals	(3,522)	-	(28,985)	(2,175)	-	(793)	(35,475)
At December 31, 2023 and January 1, 2024	190,582	2,865,282	765,881	47,096	617,313	641,484	5,127,638
Additions	22,403	8,713	59,768	1,510	42,044	78,460	212,898
Transfers (out)/in from construction in progress	(90,463)	49,232	2,527	-	16,764	21,940	-
Disposals	-	-	(29,391)	(2,262)	-	(3,806)	(35,459)
At December 31, 2024	122,522	2,923,227	798,785	46,344	676,121	738,078	5,305,077
Accumulated depreciation and impairment							
At January 1, 2023	-	616,933	629,285	44,613	393,948	324,419	2,009,198
Provided for the year	-	83,932	37,586	301	40,584	98,413	260,816
Eliminated on disposals	-	-	(22,913)	(928)	-	(445)	(24,286)
At December 31, 2023 and January 1, 2024	-	700,865	643,958	43,986	434,532	422,387	2,245,728
Provided for the year	-	83,844	37,046	748	39,336	104,849	265,823
Eliminated on disposals	-	-	(18,107)	(2,020)	-	(3,071)	(23,198)
At December 31, 2024	-	784,709	662,897	42,714	473,868	524,165	2,488,353
Carrying value							
At December 31, 2024	122,522	2,138,518	135,888	3,630	202,253	213,913	2,816,724
At December 31, 2023	190,582	2,164,417	121,923	3,110	182,781	219,097	2,881,910

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27. PROPERTY AND EQUIPMENT (Continued)

At December 31, 2024, the premises with carrying values of approximately RMB143,454,000 was in the process of obtaining the relevant legal titles (2023: approximately RMB1,815,137,000). Among them, the carrying values of premises that the Group had obtained housing property title certificates issued by the authorities but no land use rights certificates were approximately RMB152,052,000 as at December 31, 2023 (2024: nil).

The aforementioned premises are located in the PRC with medium term leases (10 – 50 years).

28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

i) Right-of-use assets

	2024 RMB'000	2023 RMB'000
Premises	297,878	207,765
Land use rights in the PRC	32,996	40,544
	330,874	248,309

The Group has lease arrangements for premises. The lease terms are generally from one to ten years. The land is located in PRC with lease term ranged from ten to fifty years.

Additions to the right-of-use assets for the year ended December 31, 2024 amounted to approximately RMB218,821,000 (2023: approximately RMB147,483,000), due to new leases of office premises.

ii) Lease liabilities

As at December 31, 2024, the carrying amount of lease liabilities was approximately RMB285,341,000 (2023: approximately RMB186,464,000).

During the ended December 31, 2024, the Group entered into a number of new lease agreements for office premises and recognised lease liabilities of approximately RMB218,821,000 (2023: approximately RMB147,483,000).

Amounts payable under lease liabilities	2024 RMB'000	2023 RMB'000
Within one year	98,042	81,705
After one year but within three years	128,572	74,453
After three years but within five years	40,212	23,056
After five years	18,515	7,250
	285,341	186,464

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28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

iii) Amount recognised in profit or loss

	2024 RMB'000	2023 RMB'000
Depreciation expense of premises	134,821	143,007
Depreciation expense of land use rights	1,435	1,380
Interest expense on lease liabilities	11,148	2,967
Expense relating to short-term leases	3,848	3,850

iv) Others

During the year ended December 31, 2024, the total cash outflow for leases amount to approximately RMB134,940,000 (2023: approximately RMB147,902,000).

Restrictions or covenants on leases

As at December 31, 2024, lease liabilities of RMB285,341,000 are recognised with related right-of-use assets of RMB330,874,000 (2023: lease liabilities of RMB186,464,000 are recognised with related right-of-use assets of RMB248,309,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

29. DEFERRED TAX ASSETS

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	2,320,313	2,056,875
Deferred tax liabilities	(38,783)	(16,373)
	2,281,530	2,040,502

Notes to the Consolidated Financial Statements

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29. DEFERRED TAX ASSETS (Continued)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon in the years ended December 31, 2024 and 2023:

	Provision for impairment losses on assets RMB'000 Note (i)	Net (gains)/ losses from fair value changes of financial instruments RMB'000 Note (ii)	Salaries, bonuses and allowances payable RMB'000	Tax losses RMB'000 Note (iii)	Lease liabilities RMB'000	Right-of-use assets RMB'000	Net balance of deferred tax assets RMB'000
At January 1, 2023	1,692,190	26,932	42,526	72,338	45,017	(50,822)	1,828,181
Credit/(charge) to profit or loss	310,735	(51,958)	3,440	(72,338)	1,599	(1,119)	190,359
(Charge)/credit to other comprehensive income	(425)	22,590	(203)	-	-	-	21,962
At December 31, 2023 and January 1, 2024	2,002,500	(2,436)	45,763	-	46,616	(51,941)	2,040,502
Credit/(charge) to profit or loss	256,095	12,230	(5,780)	-	24,719	(22,529)	264,735
Credit/(charge) to other comprehensive income	247	(24,572)	618	-	-	-	(23,707)
At December 31, 2024	2,258,842	(14,778)	40,601	-	71,335	(74,470)	2,281,530

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at December 31, 2024 and 2023. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets as at December 31, 2024 and 2023, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) The Group had utilised the tax losses of approximately RMB289,354,000 during the year ended December 31, 2023 (December 31, 2024: nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

30. OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Other receivables and prepayments	886,265	586,217
Less: Provision for impairment losses	(212,807)	(142,849)
	673,458	443,368
Intangible assets (Note)	14,383	2,977
Repossessed assets	6,958,004	2,952,809
Interest receivables	282,323	568,249
Less: Provision for impairment losses	(108,316)	(108,316)
	174,007	459,933
Others (Note 53)	373,151	396,551
Less: Provision for impairment losses	(201,873)	(175,314)
	171,278	221,237
	7,991,130	4,080,324

Note: These intangible assets mainly included software which are amortised over 1 – 5 years.

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For the year ended December 31, 2024

31. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities and bills, which are for borrowings from the central bank, deposits from banks and other financial institutions and repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at December 31, 2024 are approximately RMB20,184,500,000 (2023: approximately RMB21,072,346,000).

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

32. BORROWINGS FROM THE CENTRAL BANK

	2024 RMB'000	2023 RMB'000
Borrowings	4,571,898	2,940,505
Re-discounted bills	3,816,404	4,108,249
Accrued interest	16,535	20,529
	8,404,837	7,069,283

33. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2024 RMB'000	2023 RMB'000
Deposits from the following institutions operating in Mainland China		
– Banks	12,104,772	15,998,787
– Other financial institutions	2,713,701	3,262,448
	14,818,473	19,261,235
Deposits from the following institutions operating outside Mainland China		
– Banks	783,287	780,755
Accrued interest	106,865	78,338
	15,708,625	20,120,328

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

34. PLACEMENTS FROM BANKS

Analysed by type and location of counterparty

	2024 RMB'000	2023 RMB'000
Placements in Mainland China – Banks	975,230	1,823,001
Accrued interest	–	–
	975,230	1,823,001

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2024 RMB'000	2023 RMB'000
In Mainland China – Banks	4,946,317	6,888,130
Accrued interest	456	32,141
	4,946,773	6,920,271

(b) Analysed by collateral

	2024 RMB'000	2023 RMB'000
Debt securities	4,946,317	6,888,130
Accrued interest	456	32,141
	4,946,773	6,920,271

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

(c) Transfer of financial assets

In daily operating activities, the Group entered into repurchase agreements with certain counterparties. As at December 31, 2024, there are debt securities measured at amortised cost, debt securities measured at FVTOCI and bills measured at amortised cost with carrying amount of approximately RMB2,299,153,000, RMB642,305,000 and RMB2,191,194,000 respectively (2023: approximately RMB2,094,871,000, RMB22,029,000 and nil respectively), are under these agreements measured at amortised cost. The proceeds from selling such debt securities totalling RMB4,946,317,000 as at December 31, 2024 (2023: approximately RMB6,888,130,000).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

36. DEPOSITS FROM CUSTOMERS

	2024 RMB'000	2023 RMB'000
Demand deposits		
– Corporate customers	58,136,743	52,063,292
– Individual customers	43,997,595	42,637,047
	102,134,338	94,700,339
Time deposits		
– Corporate customers	23,579,816	23,916,311
– Individual customers	179,848,900	158,907,667
	203,428,716	182,823,978
Pledged deposits		
– Acceptances	2,992,053	4,364,277
– Guarantees and letters of guarantees	370,176	279,208
– Others	2,649,570	2,523,800
	6,011,799	7,167,285
Others	2,942,336	2,408,667
Accrued interest	6,862,088	8,455,896
	321,379,277	295,556,165

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For the year ended December 31, 2024

37. ACCRUED STAFF COSTS

	2024 RMB'000	2023 RMB'000
Salary and bonus payable	223,748	233,011
Social pension schemes payable (Note (i))	6,667	6,668
Other social insurances payable	24,554	12,759
Supplementary retirement benefits ("SRB") payable (Note (ii))	15,940	16,530
Other long-term staff welfare payable (Note (iii))	1,480	1,550
	272,389	270,518

Notes:

(i) Social pension schemes payable

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution plan for the employees arranged by local government labor and social security organisations. The Group makes contributions to the retirement plan at the applicable rates based on the amounts stipulated by the relevant government organisations. The contributions by the Group for the defined contribution plan above are charged to the statement of profit or loss as they become payable in accordance with the rules of the respective defined contribution plan. The only obligation of the Group with respect to such defined contribution plan is to make the specified contributions. During the year ended December 31, 2024 and 2023, there was no forfeited contributions under the defined contribution plan. Accordingly, no forfeited contribution was utilised during the year, and there was no forfeited contribution available as at December 31, 2024 and 2023 to reduce level of contributions.

(ii) SRB payable:

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of the SRB were assessed using projected unit credit actuarial cost method by an external independent actuary, Wills Towers Watson (a member of Society of Actuaries in America). There was no assets under the defined benefit plans as at December 31, 2024 and 2023.

The balances of SRB of the Group are as follows:

	2024 RMB'000	2023 RMB'000
Present value of SRB obligation	15,940	16,530

Movements of SRB of the Group are as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	16,530	18,900
Service income, net	(890)	(630)
Interest cost	400	520
Actuarial losses (gains)	2,470	(810)
Payment made	(2,570)	(1,450)
At the end of the year	15,940	16,530

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

37. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(ii) SRB payable: (Continued)

Principal actuarial assumptions of the Group are as follow:

	2024	2023
Discount rate	2.00%	2.75%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on SRB	
	2024	2023
	RMB'000	RMB'000
Discount rate (increase by 1%)	(3,130)	(2,590)
Discount rate (decrease by 1%)	4,820	3,890

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

(iii) Other long-term staff welfare payable

The Group pays compensation for termination benefits of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting year. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit actuarial cost method by an external independent actuary (a member of Society of Actuaries in America) of Wills Towers Watson. There was no assets under the defined benefit plans as at December 31, 2024 and 2023.

The balances of other long-term staff welfare payable of the Group are as follows:

	2024	2023
	RMB'000	RMB'000
Present value of other long-term staff welfare payable obligation	1,480	1,550

Movements of other long-term staff welfare payable of the Group are as follows:

	2024	2023
	RMB'000	RMB'000
At the beginning of the year	1,550	2,360
Service cost (income), net	360	(40)
Payment made	(430)	(770)
At the end of the year	1,480	1,550

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

37. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(iii) Other long-term staff welfare payable (Continued)

Principal actuarial assumptions of the Group are as follow:

	2024	2023
Discount rate	1.25%	2.25%
Mortality	CL5/CL6	CL5/CL6
Early retirement wage growth rate	6%	6%

Sensitivity analysis:

	Effect on long-term staff welfare payable	
	2024	2023
	RMB'000	RMB'000
Discount rate (increase by 1%)	(30)	(30)
Discount rate (decrease by 1%)	30	30

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

38. DEBT SECURITIES ISSUED

	2024	2023
	RMB'000	RMB'000
Interbank deposits (Note (i))	27,392,627	22,172,412

Notes:

(i) Interbank deposits

- (a) During the year ended December 31, 2024, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB37,200,000,000 and duration between 3 months to 1 year. As at December 31, 2024, the outstanding balance of interbank deposits issued is approximately RMB27,392,627,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 1.99% to 2.55%.
- (b) During the year ended December 31, 2023, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB45,000,000,000 and duration between 3 months to 1 year. As at December 31, 2023, the outstanding balance of interbank deposits issued was approximately RMB22,172,412,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued were 2.06% to 2.89%.

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For the year ended December 31, 2024

39. OTHER LIABILITIES

	2024 RMB'000	2023 RMB'000
Other payables and accrued expenses	664,909	502,285
Clearance of inter-bank accounts	207,844	118,279
Agency business liabilities	5,886	5,601
Dividend payable	23,548	23,601
Other tax payables	22,457	20,221
Fiscal deposits	20,721	14,987
Provision for bank acceptances and letters of guarantees (Note (i))	68,879	89,420
Others (Note (ii))	346,500	386,689
	1,360,744	1,161,083

Notes:

- (i) Movement in provision for bank acceptances and letters of guarantees:

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL- credit- impaired RMB'000	Total RMB'000
Provision for bank acceptances and letters of guarantees at January 1, 2023	53,044	–	–	53,044
Changes in the provision for impairment losses – Charge to profit or loss	36,376	–	–	36,376
Provision for bank acceptances and letters of guarantees at December 31, 2023 and January 1, 2024	89,420	–	–	89,420
Changes in the provision for impairment losses – Credit to profit or loss	(20,541)	–	–	(20,541)
Provision for bank acceptances and letters of guarantees at December 31, 2024	68,879	–	–	68,879

- (ii) As at December 31, 2024, amounts of approximately RMB325 million (2023: RMB373 million) represented the associated liability of the transfer of non-performing financial assets disclosed in Note 53.

Notes to the Consolidated Financial Statements

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40. SHARE CAPITAL

Share capital as at December 31, 2024 and 2023 are as follows:

	2024 RMB'000	2023 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
– Ordinary shares	15,069,791	15,069,791

As at the end of reporting period, the Bank's issued shares (in thousands of shares) is as follows:

	2024	2023
Domestic shareholders	11,275,991	11,275,991
H shareholders	3,793,800	3,793,800
At end of the year	15,069,791	15,069,791

41. RESERVES

(a) Capital reserve

	2024 RMB'000	2023 RMB'000
Share premium	5,633,746	5,633,746
Shareholders' injection (Note)	324,359	322,402
Changes in ownership in a subsidiary without change in control	554	554
	5,958,659	5,956,702

Note:

The promoters of the additional shares issued during the Bank's restructuring injected the Bank's net proceeds received from the disposal of non-performing assets which were entrusted to be managed by the Bank. During the year, net proceed of approximately RMB1,957,000 (2023: approximately RMB88,000) were received as shareholders' injection. As at December 31, 2024, approximately RMB324,359,000 has been recorded as capital reserve (2023: approximately RMB322,402,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

41. RESERVES (Continued)

(b) Surplus reserve

The surplus reserve at December 31, 2024 and 2023 represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund of the Group as at December 31, 2024 were approximately RMB1,519,032,000 (2023: approximately RMB1,461,203,000). The other surplus reserve fund of the Group as at December 31, 2024 were approximately RMB447,246,000 (2023: approximately RMB447,247,000).

The Bank and its subsidiary are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(c) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

42. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Bank during 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

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43. STRUCTURED ENTITIES

Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans and asset-back securities issued by bank and other financial institutions and investment funds.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2024 and 2023:

	As at December 31, 2024			
	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	4,108,693	12,455,158	16,563,851	16,563,851
Asset management plans	2,976,279	7,273,869	10,250,148	10,250,148
Asset-backed securities issued by bank and other financial institutions	–	23,867	23,867	23,867
Investment funds	20,938,600	–	20,938,600	20,938,600
	28,023,572	19,752,894	47,776,466	47,776,466

	As at December 31, 2023			
	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	1,527,326	13,352,061	14,879,387	14,879,387
Asset management plans	6,411,582	8,355,210	14,766,792	14,766,792
Asset-backed securities issued by bank and other financial institutions	–	24,347	24,347	24,347
Investment funds	19,239,443	–	19,239,443	19,239,443
	27,178,351	21,731,618	48,909,969	48,909,969

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

43. STRUCTURED ENTITIES (Continued)

Unconsolidated structured entities (Continued)

(ii) Structured entities sponsored by the Group which the Group do not consolidate but holds an interest in as at December 31, 2024 and 2023:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at December 31, 2024 and 2023, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the consolidated statements of financial positions.

As at December 31, 2024, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB23,884,548,000 (2023: approximately RMB24,662,975,000).

(iii) Unconsolidated structured entities sponsored by the Group during the year in which the Group do not have an interest in as at December 31, 2024 and 2023:

During the year ended December 31, 2024, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, 2024 but matured before December 31, 2024 amounted to RMB1,301,390,000.

During the year ended December 31, 2023, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, 2023 but matured before December 31, 2023 amounted to RMB1,232,213,000.

44. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the NAFR. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

Notes to the Consolidated Financial Statements

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44. CAPITAL MANAGEMENT (Continued)

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since January 1, 2013, the Group started computing its capital adequacy ratios in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)” and other relevant regulations promulgated by the NAFR. The revised “Administrative Measures for the Capital of Commercial Banks” has been implemented since January 1, 2024.

During the year ended December 31, 2024, the NAFR requires commercial banks to meet the requirements of capital adequacy ratios by the end of the Reporting Period in accordance with “Administrative Measures for the Capital of Commercial Banks” (2023: “Administrative Measures for the Capital of Commercial Banks (Provisional)”). For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50% respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the simplified standardised approach (for the year ended December 31, 2023: standardised approach). Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with PRC GAAP. During the years ended December 31, 2024 and 2023 the Group has complied with all its externally imposed capital requirements.

The Group’s overall strategies towards the capital management remain unchanged from prior years.

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44. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at December 31, 2024 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks" (as at December 31, 2023: "Administrative Measures for the Capital of Commercial Banks (Provisional)") and other relevant regulations promulgated by the NAFR are as follows:

	2024 RMB'000	2023 RMB'000
Total core tier-one capital		
Share capital	15,069,791	15,069,791
Qualifying portion of capital reserve	5,958,659	5,956,702
Defined benefit plan reserve	(5,290)	(3,437)
Investment revaluation reserve	108,580	35,606
Surplus reserve	1,966,278	1,908,450
General reserve	5,784,233	5,373,732
Retained earnings	4,910,812	4,796,793
Qualifying portions of non-controlling interests	28,874	27,332
Core tier-one capital deductions (Note)	(1,911,230)	(222,074)
Net core tier-one capital	31,910,707	32,942,895
Eligible portion of non-controlling interests	3,850	3,644
Net tier-one capital	31,914,557	32,946,539
Tier-two capital		
Surplus provision for impairment	–	1,447,353
Eligible portion of non-controlling interests	7,700	7,288
Net capital base	31,922,257	34,401,180
Total risk weighted assets	285,927,603	289,469,117
Core tier-one capital adequacy ratio	11.16%	11.38%
Tier-one capital adequacy ratio	11.16%	11.38%
Capital adequacy ratio	11.16%	11.88%

Note:

For the year ended December 31, 2024, core tier-one capital deductions primarily include computer software included in line item "property and equipment", intangible assets included in line item "other assets" and others.

For the year ended December 31, 2023, core tier-one capital deductions primarily include computer software included in line item "property and equipment" and intangible assets included in line item "other assets".

Notes to the Consolidated Financial Statements

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45. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	2024 RMB'000	2023 RMB'000
Cash on hand (Note 17)	476,212	404,696
Deposits with the central bank (Note 17)	6,809,472	4,486,645
Deposits with banks (Note 18)	1,026,571	2,787,428
Placements with banks and other financial institutions (Note 19)	5,000,000	2,407,000
Financial assets held under resale agreements (Note 20)	8,988,410	10,657,445
Total	22,300,665	20,743,214

46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(a) Related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	2024	2023
Gansu Province Highway Aviation Tourism Investment Group Co., Ltd.	17.63%	17.63%
Gansu State-owned Assets Investment Co., Ltd.	12.67%	12.67%
Gansu Financial Holding Group Co., Ltd.	8.29%	8.29%
Mengshang Bank Co., Ltd.	5.61%	5.61%
Jiuquan Iron & Steel (Group) Co., Ltd.	6.53%	6.53%
Jinchuan Group Co., Ltd.	6.53%	6.53%

(ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 46(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

Notes to the Consolidated Financial Statements

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46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(Continued)

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and its subsidiary

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary and among the subsidiary are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and major shareholders

	2024 RMB'000	2023 RMB'000
Transactions during the year		
Interest income	215,235	270,683
Interest expense	174,319	151,531

	2024 RMB'000	2023 RMB'000
Balances at end of the year		
Loans and advances to customers	5,393,200	6,047,000
Deposits from customers	5,258,267	4,078,784
Financial assets at amortised cost	310,447	310,448

(iii) Transactions between the Group and other related parties:

	2024 RMB'000	2023 RMB'000
Transactions during the year		
Interest income	871,101	869,790
Interest expense	222,914	267,042

	2024 RMB'000	2023 RMB'000
Balances at end of the year		
Loans and advances to customers	26,400,706	20,175,441
Deposits from customers	10,165,458	8,675,019
Deposits from banks and other financial institutions	1,519	8,134
Other receivables	297,054	218,286
Financial assets at amortised cost	782,084	1,695,094

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46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(Continued)

(c) Key management personnel

The key management personnel are those people who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(i) Transactions between the Group and key management personnel

	2024 RMB'000	2023 RMB'000
Transactions during the year		
Interest income	24	31
Interest expense	141	78

	2024 RMB'000	2023 RMB'000
Balances at end of the year		
Loans and advances to customers	532	672
Deposits from customers	9,681	7,904

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	3,130	3,383
Retirement benefits scheme contributions	1,555	1,644
Discretionary bonuses	3,278	3,561
	7,963	8,588

(d) Loans and advances to directors, supervisors and officers

During the year ended December 31, 2024, there are loans and advances to directors, supervisors and officers of the Group amounting to approximately RMB532,000 (2023: RMB672,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

47. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial market operations

This segment covers the Group's financial market operations. The financial market operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial market segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets and liabilities and dividend payable. Segment income and expenses, assets and liabilities are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment and intangible assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

47. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Year ended December 31, 2024				
	Corporate banking RMB'000	Retail banking RMB'000	Financial market operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/ (expense)	5,154,909	(3,075,182)	2,556,572	–	4,636,299
Internal net interest (expense)/ income	(3,446,242)	4,940,322	(1,494,080)	–	–
Net interest income	1,708,667	1,865,140	1,062,492	–	4,636,299
Net fee and commission income	224,804	116,385	16,543	42,383	400,115
Net trading gains	–	–	828,869	–	828,869
Net gains arising from investment securities	–	–	41,218	–	41,218
Net exchange gains	–	–	–	38,421	38,421
Other operating income, net	–	–	–	9,036	9,036
Operating income	1,933,471	1,981,525	1,949,122	89,840	5,953,958
Operating expenses	(771,806)	(790,988)	(777,920)	(35,862)	(2,376,576)
Impairment losses on assets, net of reversals	(1,609,995)	(388,939)	(968,031)	(134,604)	(3,101,569)
Operating (loss)/profit	(448,330)	801,598	203,171	(80,626)	475,813
Share of result of an associate	–	–	–	(12)	(12)
(Loss)/profit before tax	(448,330)	801,598	203,171	(80,638)	475,801
Segment assets	165,349,015	55,625,361	190,364,556	1,048,325	412,387,257
Deferred tax assets	–	–	–	2,320,313	2,320,313
Total assets	165,349,015	55,625,361	190,364,556	3,368,638	414,707,570
Segment liabilities	88,871,965	230,880,034	58,082,809	2,972,515	380,807,323
Deferred tax liabilities	–	–	–	38,783	38,783
Dividend payable	–	–	–	23,548	23,548
Total liabilities	88,871,965	230,880,034	58,082,809	3,034,846	380,869,654
Other segment information					
– Depreciation and amortisation	164,130	55,215	188,961	3,343	411,649
– Capital expenditure	86,572	29,124	99,670	1,764	217,130

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

47. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Year ended December 31, 2023				
	Corporate banking RMB'000	Retail banking RMB'000	Financial market operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/ (expense)	6,134,078	(2,707,024)	2,007,478	–	5,434,532
Internal net interest (expense)/ income	(3,683,863)	5,396,632	(1,712,769)	–	–
Net interest income	2,450,215	2,689,608	294,709	–	5,434,532
Net fee and commission income	228,180	99,888	14,835	37,006	379,909
Net trading gains	–	–	629,016	–	629,016
Net gains arising from investment securities	–	–	116,592	–	116,592
Net exchange gains	–	–	–	47,530	47,530
Other operating income, net	–	–	–	57,563	57,563
Operating income	2,678,395	2,789,496	1,055,152	142,099	6,665,142
Operating expenses	(959,946)	(999,766)	(378,170)	(50,931)	(2,388,813)
Impairment losses on assets, net of reversals	(973,076)	(1,169,547)	(1,447,498)	(116,851)	(3,706,972)
Operating profit/(loss)	745,373	620,183	(770,516)	(25,683)	569,357
Share of result of an associate	–	–	–	181	181
Profit/(loss) before tax	745,373	620,183	(770,516)	(25,502)	569,538
Segment assets	149,942,065	53,153,932	182,383,336	1,052,444	386,531,777
Deferred tax assets	–	–	–	2,056,875	2,056,875
Total assets	149,942,065	53,153,932	182,383,336	3,109,319	388,588,652
Segment liabilities	79,520,315	210,202,508	65,609,388	36,395	355,368,606
Deferred tax liabilities	–	–	–	16,373	16,373
Dividend payable	–	–	–	23,601	23,601
Total liabilities	79,520,315	210,202,508	65,609,388	76,369	355,408,580
Other segment information					
– Depreciation and amortisation	160,638	56,946	195,394	3,331	416,309
– Capital expenditure	65,575	23,246	79,763	1,360	169,944

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

47. SEGMENT REPORTING (Continued)

(a) Geographical information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located in the PRC and therefore revenue is derived from activities in Gansu Province of the PRC.

(b) Information about major customers

During the years ended December 31, 2024 and 2023, no operating income from a customer contributes over 10% of the total operating income of the Group.

48. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios.

As at December 31, 2024 and 2023, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

Loans and advances to customers and financial assets at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Debt instruments at FVTOCI

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Deposits with banks

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with banks is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Deposits with the central bank

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with central banks is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Financial assets held under resale agreements

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Placements with banks and other financial institutions

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of placements with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Credit commitments

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of credit commitments is at Stage 1 of which the loss allowance is measured at 12-month ECL.

Other financial assets

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of other financial assets is at Stage 1 of which the loss allowance is measured at 12-month ECL.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Other financial assets (Continued)

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data provided by the major rating agencies that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The five categories classifications in which the Group classifies major financial assets, including loans and advances to customers at amortised cost and trust beneficiary rights and asset management plans measured at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL Lifetime ECL – not credit-impaired (Only if more than 30 days past due)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	12-month ECL Lifetime ECL – not credit-impaired (Only if more than 30 days past due) Lifetime ECL – credit-impaired (Only if more than 90 days past due)
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL – credit-impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL – credit-impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL – credit-impaired

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Other financial assets (Continued)

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 23 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The Group established a credit risk management structure which includes the president, chief officers and the risk management committee of the head office, persons-in-charge and risk officers of branches and sub-branches, credit approval committees or groups and the risk management, business, marketing and internal audit departments. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies and authorisation proposals for credit business. Legal and Compliance Department is responsible for formulating the authorisation proposals for credit business. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments such as the Corporate Business Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks. Customer relationship managers and risk managers work independently to manage the key risk points throughout the process of credit business.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to overdue loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at December 31, 2024 and 2023 are as follows:

	2024 RMB'000	2023 RMB'000
Neither overdue nor impaired		
Ratings		
– AAA- to AAA+	30,115,075	28,676,717
– AA- to AA+	7,834,547	1,560,906
– Unrated (Note)	52,974,341	48,872,496
	90,923,963	79,110,119

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For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit rating (Continued)

The following tables represent an analysis of the carrying value of debt securities by credit or issuer rating and credit risk characteristic:

	As at December 31, 2024			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Ratings				
– AAA- to AAA+	30,121,337	–	–	30,121,337
– AA- to AA+	7,840,012	–	–	7,840,012
– Unrated (Note)	51,147,023	–	1,971,424	53,118,447
	89,108,372	–	1,971,424	91,079,796
Provision for impairment loss	(11,889)	–	(143,944)	(155,833)
	89,096,483	–	1,827,480	90,923,963

	As at December 31, 2023			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	
Ratings				
– AAA- to AAA+	28,681,150	–	–	28,681,150
– AA- to AA+	1,562,235	–	–	1,562,235
– Unrated (Note)	47,046,345	–	1,940,989	48,987,334
	77,289,730	–	1,940,989	79,230,719
Provision for impairment loss	(8,419)	–	(112,181)	(120,600)
	77,281,311	–	1,828,808	79,110,119

Note: Debt securities held by the Group mainly issued by the Mainland China government and policy banks and corporations issuers in the market, but not rated by independent rating agencies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial market operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by the board of the Bank. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The planning and finance department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury’s investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios’ fair value given a 100 basis points (1%) movement in the interest rates.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities as at December 31, 2024 and 2023 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At December 31, 2024					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	23,171,617	483,298	22,688,319	-	-	-
Deposits with banks	1,028,720	2,201	1,026,519	-	-	-
Placements with banks and other financial institutions	5,001,750	4,491	4,997,259	-	-	-
Financial assets held under resale agreement	8,989,174	764	8,988,410	-	-	-
Loans and advances to customers	225,595,610	9,971,267	81,115,630	40,716,246	61,792,033	32,000,434
Investments (Note)	137,451,317	23,767,625	25,767,602	24,842,989	30,955,658	32,117,443
Others	13,469,382	13,469,382	-	-	-	-
	414,707,570	47,699,028	144,583,739	65,559,235	92,747,691	64,117,877
Liabilities						
Borrowings from the central bank	8,404,837	16,535	3,030,430	5,357,872	-	-
Deposits from banks and other financial institutions	15,708,625	106,865	5,251,760	10,350,000	-	-
Placements from banks	975,230	-	-	975,230	-	-
Financial assets sold under repurchase agreements	4,946,773	456	4,946,317	-	-	-
Deposits from customers	321,379,277	6,862,088	142,893,168	57,821,942	113,802,079	-
Debt securities issued	27,392,627	-	6,566,657	20,825,970	-	-
Others	2,062,285	1,776,944	-	98,042	168,784	18,515
	380,869,654	8,762,888	162,688,332	95,429,056	113,970,863	18,515
Asset-liability gap	33,837,916	38,936,140	(18,104,593)	(29,869,821)	(21,223,172)	64,099,362

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(i) *The following tables indicate the assets and liabilities as at December 31, 2024 and 2023 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)*

	At December 31, 2023					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	19,261,955	412,475	18,849,480	-	-	-
Deposits with banks	2,866,129	2,115	2,787,238	76,776	-	-
Placements with banks and other financial institutions	2,407,239	706	2,406,533	-	-	-
Financial assets held under resale agreement	10,664,017	6,678	10,657,339	-	-	-
Loans and advances to customers	217,089,858	8,752,467	63,378,245	10,017,436	89,977,164	44,964,546
Investments (Note)	127,021,683	21,388,333	24,075,648	7,769,786	44,257,301	29,530,615
Others	9,277,771	9,277,771	-	-	-	-
	388,588,652	39,840,545	122,154,483	17,863,998	134,234,465	74,495,161
Liabilities						
Borrowings from the central bank	7,069,283	20,529	3,157,059	3,891,695	-	-
Deposits from banks and other financial institutions	20,120,328	78,338	7,681,990	12,360,000	-	-
Placements from banks	1,823,001	-	200,000	1,623,001	-	-
Financial assets sold under repurchase agreements	6,920,271	32,141	4,297,743	2,590,387	-	-
Deposits from customers	295,556,165	8,455,896	148,640,172	61,582,254	76,877,843	-
Debt securities issued	22,172,412	-	9,081,722	13,090,690	-	-
Others	1,747,120	1,560,656	-	81,705	97,509	7,250
	355,408,580	10,147,560	173,058,686	95,219,732	76,975,352	7,250
Asset-liability gap	33,180,072	29,692,985	(50,904,203)	(77,355,734)	57,259,113	74,487,911

Note:

Investments include financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity.

The following tables demonstrate the sensitivity as at December 31, 2024 and 2023, assuming other variables remain unchanged, an increase in estimated interest rate, of the Group's net profit and equity.

	Effect on net profit	
	2024	2023
	RMB'000	RMB'000
Change in basis points		
Increase 100 basis points	(268,790)	(182,905)
Decrease 100 basis points	268,790	182,905

	Effect on equity	
	2024	2023
	RMB'000	RMB'000
Change in basis points		
Increase 100 basis points	(7,144,667)	(2,390,515)
Decrease 100 basis points	6,346,222	2,390,515

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

Trading interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

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

- Interest rate movements at December 31, 2024 and 2023 apply to non-derivative financial instruments of the Group.
- At December 31, 2024 and 2023, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months.
- There is a parallel shift in the yield curve with the changes in interest rates.
- There are no other changes to the assets and liabilities portfolio.
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at December 31, 2024 and 2023 are as follows:

	RMB'000	At December 31, 2024		Total (RMB'000 equivalent)
		USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	
Assets				
Cash and deposits with the central bank	23,171,545	46	26	23,171,617
Deposits with banks	874,473	98,678	55,569	1,028,720
Placements with banks and other financial institutions	5,001,750	-	-	5,001,750
Financial assets held under resale agreements	8,989,174	-	-	8,989,174
Financial assets at fair value through profit or loss	28,534,813	-	-	28,534,813
Loans and advances to customers	225,595,610	-	-	225,595,610
Financial assets at fair value through other comprehensive income	7,508,524	-	-	7,508,524
Financial assets at amortised cost	99,580,500	1,677,909	149,571	101,407,980
Others	13,469,382	-	-	13,469,382
	412,725,771	1,776,633	205,166	414,707,570
Liabilities				
Borrowing from the central bank	8,404,837	-	-	8,404,837
Deposits from banks and other financial institutions	15,656,263	-	52,362	15,708,625
Placements from banks	950,000	-	25,230	975,230
Financial assets sold under repurchase agreements	4,946,773	-	-	4,946,773
Deposits from customers	321,374,793	4,482	2	321,379,277
Debt securities issued	27,392,627	-	-	27,392,627
Others	2,062,285	-	-	2,062,285
	380,787,578	4,482	77,594	380,869,654
Net position	31,938,193	1,772,151	127,572	33,837,916
Off-balance sheet credit commitments	21,276,894	796,815	-	22,073,709

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at December 31, 2024 and 2023 are as follows: (Continued)

		At December 31, 2023		
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	19,261,894	57	4	19,261,955
Deposits with banks	2,655,393	98,976	111,760	2,866,129
Placements with banks and other financial institutions	2,407,239	–	–	2,407,239
Financial assets held under resale agreements	10,664,017	–	–	10,664,017
Financial assets at fair value through profit or loss	29,646,068	–	–	29,646,068
Loans and advances to customers	217,089,858	–	–	217,089,858
Financial assets at fair value through other comprehensive income	12,854,062	–	–	12,854,062
Financial assets at amortised cost	82,183,233	2,191,950	146,370	84,521,553
Others	9,277,771	–	–	9,277,771
	386,039,535	2,290,983	258,134	388,588,652
Liabilities				
Borrowing from the central bank	7,069,283	–	–	7,069,283
Deposits from banks and other financial institutions	20,065,646	–	54,682	20,120,328
Placements from banks	1,800,000	23,001	–	1,823,001
Financial assets sold under repurchase agreements	6,920,271	–	–	6,920,271
Deposits from customers	295,553,770	2,393	2	295,556,165
Debt securities issued	22,172,412	–	–	22,172,412
Others	1,747,120	–	–	1,747,120
	355,328,502	25,394	54,684	355,408,580
Net position	30,711,033	2,265,589	203,450	33,180,072
Off-balance sheet credit commitments	23,023,744	1,342,558	–	24,366,302

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of 100 basis points appreciation or depreciation of RMB spot and forward exchange rates against all other currencies on net profit based on the assumption of foreign currency exchange rate movements over the next 12 months.

	Effect on net profit	
	2024 RMB'000	2023 RMB'000
Change in basis points		
Increase 100 basis points	14,248	18,518
Decrease 100 basis points	(14,248)	(18,518)

The impact on net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign currency monetary assets and monetary liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on net profit is calculated based on the assumption that the Group's net foreign currency exposure at the end of each reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

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For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximisation and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank's funds.

The planning and finance department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The planning and finance department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

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For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2024 and 2023:

	At December 31, 2024						
	Indefinite (Note) RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	15,885,220	7,286,397	-	-	-	-	23,171,617
Deposits with banks	-	919,019	109,701	-	-	-	1,028,720
Placements with banks and other financial institutions	-	-	5,001,750	-	-	-	5,001,750
Financial assets held under resale agreements	-	-	8,989,174	-	-	-	8,989,174
Financial assets at fair value through profit or loss	19,614,330	583,265	-	877,644	1,890,828	5,568,746	28,534,813
Loans and advances to customers	2,322,161	6,591,874	45,403,404	41,743,850	66,079,947	63,454,374	225,595,610
Financial assets at fair value through other comprehensive income	-	-	2,375,804	839,829	2,858,506	1,434,385	7,508,524
Financial assets at amortised cost	588,213	8,984,881	14,693,619	24,349,852	26,544,261	26,247,154	101,407,980
Others	12,839,698	79,965	-	-	549,719	-	13,469,382
	51,249,622	24,445,401	76,573,452	67,811,175	97,923,261	96,704,659	414,707,570
Liabilities							
Borrowings from the central bank	-	-	3,044,880	5,359,957	-	-	8,404,837
Deposits from banks and other financial institutions	-	791,931	4,486,585	10,430,109	-	-	15,708,625
Placements from banks	-	-	-	975,230	-	-	975,230
Financial assets sold under repurchase agreements	-	-	4,946,773	-	-	-	4,946,773
Deposits from customers	-	105,298,361	38,873,630	59,228,276	117,979,010	-	321,379,277
Debt securities issued	-	-	6,566,657	20,825,970	-	-	27,392,627
Others	55,615	1,293,149	401,087	122,988	170,931	18,515	2,062,285
	55,615	107,383,441	58,319,612	96,942,530	118,149,941	18,515	380,869,654
Long/(short) position	51,194,007	(82,938,040)	18,253,840	(29,131,355)	(20,226,680)	96,686,144	33,837,916

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For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2024 and 2023: (Continued)

	At December 31, 2023						
	Indefinite (Note) RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	14,370,614	4,891,341	-	-	-	-	19,261,955
Deposits with banks	-	2,788,132	-	77,997	-	-	2,866,129
Placements with banks and other financial institutions	-	-	2,407,239	-	-	-	2,407,239
Financial assets held under resale agreements	-	-	10,664,017	-	-	-	10,664,017
Financial assets at fair value through profit or loss	16,833,477	1,283,214	556,512	2,469,906	5,160,897	3,342,062	29,646,068
Loans and advances to customers	2,072,458	6,036,928	31,985,597	10,438,660	92,635,273	73,920,942	217,089,858
Financial assets at fair value through other comprehensive income	-	-	5,314,083	1,052,644	4,827,565	1,659,770	12,854,062
Financial assets at amortised cost	1,157,736	10,329,471	7,614,146	4,490,851	34,906,809	26,022,540	84,521,553
Others	8,305,646	-	339	-	403,876	567,910	9,277,771
	42,739,931	25,329,086	58,541,933	18,530,058	137,934,420	105,513,224	388,588,652
Liabilities							
Borrowings from the central bank	-	-	3,174,355	3,894,928	-	-	7,069,283
Deposits from banks and other financial institutions	-	821,500	6,911,201	12,387,627	-	-	20,120,328
Placements from banks	-	-	200,000	1,623,001	-	-	1,823,001
Financial assets sold under repurchase agreements	-	-	4,319,592	2,600,679	-	-	6,920,271
Deposits from customers	-	102,138,815	50,014,773	64,100,932	79,301,645	-	295,556,165
Debt securities issued	-	-	9,081,722	13,090,690	-	-	22,172,412
Others	1,602	1,155,633	403,421	81,705	97,509	7,250	1,747,120
	1,602	104,115,948	74,105,064	97,779,562	79,399,154	7,250	355,408,580
Long/(short) position	42,738,329	(78,786,862)	(15,563,131)	(79,249,504)	58,535,266	105,505,974	33,180,072

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For the year ended December 31, 2024

48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at December 31, 2024 and 2023: (Continued)

Note: Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves, fiscal deposits and accrued interest with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial assets at amortised cost represents impaired investments or those overdue more than one month. Indefinite amount of financial assets at fair value through profit or loss represents net-asset-value wealth management products without fixed maturity date.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at December 31, 2024 and 2023:

	At December 31, 2024						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years and indefinite RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	8,404,837	8,463,768	-	3,051,006	5,412,762	-	-
Deposits from banks and other financial institutions	15,708,625	15,824,861	791,931	4,500,627	10,532,303	-	-
Placements from banks	975,230	995,106	-	-	995,106	-	-
Financial assets sold under repurchase agreements	4,946,773	4,948,501	-	4,948,501	-	-	-
Deposits from customers	321,379,277	321,724,317	105,298,361	38,907,780	59,387,905	118,130,271	-
Debts securities issued	27,392,627	27,590,000	-	6,590,000	21,000,000	-	-
Other liabilities	1,963,453	2,006,939	1,299,982	399,873	105,513	181,646	19,925
	380,770,822	381,553,492	107,390,274	58,397,787	97,433,589	118,311,917	19,925
Off-balance sheet credit commitments	22,073,709	22,073,709	10,111,973	2,722,677	8,799,277	438,864	918

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48. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at December 31, 2024 and 2023: (Continued)

	At December 31, 2023						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years and indefinite
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	7,069,283	7,118,058	–	3,180,556	3,937,502	–	–
Deposits from banks and other financial institutions	20,120,328	20,339,270	821,500	6,934,389	12,583,381	–	–
Placements from banks	1,823,001	1,847,617	–	200,025	1,647,592	–	–
Financial assets sold under repurchase agreements	6,920,271	6,951,176	–	4,328,913	2,622,263	–	–
Deposits from customers	295,556,165	295,946,765	102,138,815	50,061,801	64,221,930	79,524,219	–
Debts securities issued	22,172,412	22,386,203	–	9,121,300	13,264,903	–	–
Other liabilities	1,649,493	1,673,359	1,059,607	403,421	92,163	109,989	8,179
	355,310,953	356,262,448	104,019,922	74,230,405	98,369,734	79,634,208	8,179
Off-balance sheet credit commitments	24,366,302	24,366,302	10,783,844	3,891,040	8,891,638	511,904	287,876

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

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48. FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Unlisted equity investments

Fair value of unlisted equity investment is determined with reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate. Fair value of another unlisted equity investment is determined with reference to the net asset value of the unlisted company with adjustments for discount of marketability in current environment.

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Methods and assumptions for measurement of fair value (Continued)

(iii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at December 31, 2024 and December 31, 2023.

(iv) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at December 31, 2024 and December 31, 2023. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at December 31, 2024 and December 31, 2023.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised cost, financial assets at FVTPL and, financial assets at FVTOCI.

Deposits with the central bank, deposits with banks, placements with banks and other financial institutions and financial assets held under resale agreement are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

The carrying amount and fair value of financial assets at amortised cost is disclosed in Note 21.

The fair value of financial assets at FVTPL and FVTOCI are disclosed in Note 23 and Note 24 respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement (Continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the central banks, deposits from banks and other financial institutions, placements from banks, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs and debts securities issued.

The financial liabilities recorded at amortised cost are disclosed in Note 32, Note 33, Note 34, Note 35, Note 36, Note 37 and Note 38 respectively. Accordingly, the carrying amounts approximate the fair values.

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the consolidated statement of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

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49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At December 31, 2024			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– debt securities held for trading	–	511,241	–	511,241
– trust plans	–	4,108,693	–	4,108,693
– asset management plans	–	2,976,279	–	2,976,279
– investment funds	–	20,938,600	–	20,938,600
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	6,638,615	–	6,638,615
– Listed equity investments measured at FVOCI	62,841	–	–	62,841
– Unlisted equity investments measured at FVTOCI	–	–	807,068	807,068
	62,841	35,173,428	807,068	36,043,337

	At December 31, 2023			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– debt securities held for trading	–	2,467,717	–	2,467,717
– trust plans	–	1,527,326	–	1,527,326
– asset management plans	–	6,411,582	–	6,411,582
– investment funds	–	19,239,443	–	19,239,443
Financial assets at FVTOCI				
– Debt instruments at FVTOCI	–	11,965,698	–	11,965,698
– Listed equity investments measured at FVOCI	84,957	–	–	84,957
– Unlisted equity investments measured at FVTOCI	–	–	803,407	803,407
	84,957	41,611,766	803,407	42,500,130

During the year ended December 31, 2024, there were no significant transfers among each level (2023: nil).

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

							Relationship of key inputs and significant unobservable inputs to fair value
Financial assets	Fair value as at, December 31, 2024 RMB'000		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range	
Financial assets at FVTPL							
Debt securities – listed	511,241	2,467,717	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A	N/A
Trust plans	4,108,693	1,527,326	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Asset management plans	2,976,279	6,411,582	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A
Investment funds	20,938,600	19,239,443	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Financial assets	Fair value as at, December 31, 2024 RMB'000	Fair value as at, December 31, 2023 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
Financial assets at FVTOCI						
Debt securities- listed	6,638,615	11,965,698	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Listed equity investments measured at FVTOCI	62,841	84,957	Level 1	Based on the quoted market price from an observable market	N/A	N/A
Unlisted equity investments measured at FVTOCI	307,959	310,191	Level 3	Income approach – By reference to the present value of the discounted cash flows model to be derived from the ownership of the investee, based on an appropriate discount rate	The Weighted average cost of capital ("WACC") 5.05% (2023: 5.05%).	The higher the weighted average cost of capital, the lower the fair value (Note (i))
Unlisted equity investments measured at FVTOCI	499,109	493,216	Level 3	Asset-based approach – The fair value of the target company was determined by the asset-based approach using the adjusted net asset value with adjustments for discount of marketability in current environment.	The discount of marketability of 20% (2023: 20%)	The higher the discount of marketability, the lower the fair value (Note (ii))

Notes:

- (i) A 5% increase in weighted average cost of capital used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB15,309,000 and vice versa (2023: RMB17,541,000 and vice versa).
- (ii) A 5% increase in discount of marketability used in isolation would result in a decrease in fair value measurement of unlisted equity investment at FVTOCI by approximately RMB43,890,000 and vice versa (2023: RMB43,890,000 and vice versa).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investments designated at financial assets at FVTOCI RMB'000
At January 1, 2023	325,596
Addition	493,216
Change in fair value recognised in investment revaluation reserve	(15,405)
At December 31, 2023 and January 1, 2024	803,407
Addition	5,894
Change in fair value recognised in investment revaluation reserve	(2,233)
At December 31, 2024	807,068

The above fair value losses of approximately RMB24,349,000 (2023: fair value losses of approximately RMB15,405,000) respectively are included in investment revaluation reserve for the year ended December 31, 2024.

50. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statement of financial position. Surplus funding is accounted for as deposits from customers.

	2024 RMB'000	2023 RMB'000
Entrusted loans	18,684,039	16,094,898
Entrusted funds	18,684,039	16,094,898

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

51. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and guarantees and unused credit card commitment.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	2024 RMB'000	2023 RMB'000
Bank acceptances	6,583,457	8,053,603
Letters of guarantees	1,276,460	1,983,798
Unused credit card commitment	10,109,934	10,783,844
Letters of credit	4,103,858	3,545,057
	22,073,709	24,366,302

The Group may be exposed to credit risk in all the above credit businesses. Group management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Capital commitments

At December 31, 2024 and 2023, the Group's authorised capital commitments are as follows:

The Group

	2024 RMB'000	2023 RMB'000
Purchase of property and equipment – Contracted for but not provided	46,977	27,145

52. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2024, in light of court decisions or advice from legal counsels, the directors of the Bank considered the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

53. TRANSFER OF NON-PERFORMING FINANCIAL ASSETS

The Group enters into transactions in the normal course of business that transfer non-performing assets to third parties.

Financial assets related to the aforementioned transfer amounted to approximately RMB373 million in 2024 (2023: RMB397 million) are included in other assets (see Note 30). The associated liability of approximately RMB325 million in 2024 (2023: RMB373 million) are included in other liabilities (see Note 39).

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

	January 1, 2024 RMB'000	Financing cash flows RMB'000	Non-cash changes New lease arrangement entered (Note 56(i)) RMB'000	Finance cost incurred RMB'000	December 31, 2024 RMB'000
Liabilities					
Debts securities issued (Note 38)	22,172,412	4,551,108	–	669,107	27,392,627
Lease liabilities (Note 28)	186,464	(131,092)	218,821	11,148	285,341
Dividend payable (Note 39)	23,601	(53)	–	–	23,548
	22,382,477	4,419,963	218,821	680,255	27,701,516

	January 1, 2023 RMB'000	Financing cash flows RMB'000	Non-cash changes New lease arrangement entered (Note 56(i)) RMB'000	Finance cost incurred RMB'000	December 31, 2023 RMB'000
Liabilities					
Debts securities issued (Note 38)	26,039,053	(4,457,369)	–	590,728	22,172,412
Lease liabilities (Note 28)	180,066	(144,052)	147,483	2,967	186,464
Dividend payable (Note 39)	23,656	(55)	–	–	23,601
	26,242,775	(4,601,476)	147,483	593,695	22,382,477

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Note	2024 RMB'000	2023 RMB'000
Assets			
Cash and deposits with the central bank		22,972,310	19,070,472
Deposits with banks		1,006,188	2,856,354
Placements with banks and other financial institutions		5,001,750	2,407,239
Financial assets held under resale agreements		8,989,174	10,664,017
Financial assets at amortised cost		101,407,980	84,521,553
Loans and advances to customers		224,373,913	215,946,724
Financial assets at fair value through profit or loss		28,534,813	29,646,068
Financial assets at fair value through other comprehensive income		7,508,524	12,854,062
Interest in an associate		10,341	10,353
Investment in a subsidiary	26	29,250	29,250
Property and equipment		2,807,777	2,873,563
Right-of-use assets		330,227	247,540
Deferred tax assets		2,313,084	2,049,709
Other assets		7,963,210	4,055,515
Total assets		413,248,541	387,232,419

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

	Note	2024 RMB'000	2023 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank		8,325,047	6,989,413
Deposits from banks and other financial institutions		16,209,437	20,639,592
Placements from banks		975,230	1,823,001
Financial assets sold under repurchase agreements		4,946,773	6,920,271
Deposits from customers		319,599,219	293,851,536
Accrued staff costs		267,013	267,063
Taxes payable		104,037	112,497
Debts securities issued		27,392,627	22,172,412
Deferred tax liabilities		38,783	16,373
Lease liabilities		285,342	186,464
Other liabilities		1,358,522	1,158,637
Total liabilities		379,502,030	354,137,259
Equity			
Share capital		15,069,791	15,069,791
Capital reserve	(i)	5,958,105	5,956,148
Defined benefit plan reserve	(i)	(5,290)	(3,437)
Investment revaluation reserve	(i)	108,580	35,606
Surplus reserve	(i)	1,966,278	1,908,450
General reserve	(i)	5,741,499	5,339,985
Retained earnings	(i)	4,907,548	4,788,617
Total equity		33,746,511	33,095,160
Total liabilities and equity		413,248,541	387,232,419

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

(i) Reserve of the Bank

	Capital reserve (Note) RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2024	5,956,148	(3,437)	35,606	1,908,450	5,339,985	4,788,617	18,025,369
Profit for the year	-	-	-	-	-	578,273	578,273
Other comprehensive (expense)/ income for the year	-	(1,853)	72,974	-	-	-	71,121
Total comprehensive (expense)/ income for the year	-	(1,853)	72,974	-	-	578,273	649,394
Shareholders' injection (Note 41)	1,957	-	-	-	-	-	1,957
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	57,828	-	(57,828)	-
- Appropriation to general reserve	-	-	-	-	401,514	(401,514)	-
At December 31, 2024	5,958,105	(5,290)	108,580	1,966,278	5,741,499	4,907,548	18,676,720

Note:

The amount represented share premium and shareholders' injection included in Note 41.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

55. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

(i) Reserve of the Bank (Continued)

	Capital reserve (Note) RMB'000	Defined benefit plan reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2023	5,956,060	(4,045)	102,093	1,844,340	5,309,340	4,242,266	17,450,054
Profit for the year	-	-	-	-	-	641,106	641,106
Other comprehensive income/ (expense) for the year	-	608	(66,487)	-	-	-	(65,879)
Total comprehensive income/ (expense) for the year	-	608	(66,487)	-	-	641,106	575,227
Shareholders' injection (Note 41)	88	-	-	-	-	-	88
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	64,110	-	(64,110)	-
- Appropriation to general reserve	-	-	-	-	30,645	(30,645)	-
At December 31, 2023	5,956,148	(3,437)	35,606	1,908,450	5,339,985	4,788,617	18,025,369

56. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended December 31, 2024, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB218,821,000 were recognised respectively at the commencement of the leases.
- (ii) During the year ended December 31, 2023, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB147,483,000 were recognised respectively at the commencement of the leases.

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1. LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (%)

	At December 31, 2024	Average for the year ended December 31, 2024
Liquidity coverage ratio (RMB and foreign currency)	190.88%	177.27%

	At December 31, 2023	Average for the year ended December 31, 2023
Liquidity coverage ratio (RMB and foreign currency)	157.69%	147.76%

Leverage Ratio

	At December 31, 2024
Leverage ratio (RMB and foreign currency)	7.46%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the China Banking former CBIRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"), with the specific computational formulas as follows:

Liquidity coverage ratio = high-quality liquid assets/net capital outflow in the next 30 days × 100%

Leverage ratio = (core tier 1 capital – corresponding capital deductions)/on and off-balance sheet assets after adjustment × 100%

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. CURRENCY CONCENTRATIONS

	At December 31, 2024		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	1,854,212.7	271,547.7	2,125,760.4
Spot liabilities	(4,481.6)	(77,594.5)	(82,076.1)
Net position	1,849,731.1	193,953.2	2,043,684.3

	At December 31, 2023		
	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	2,338,759.7	323,112.6	2,661,872.3
Spot liabilities	(25,774.2)	(54,684.6)	(80,458.8)
Net position	2,312,985.5	268,428.0	2,581,413.5

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at December 31, 2023 and December 31, 2024.

3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within People's Republic of China ("PRC"), and regards all claims on third parties outside PRC as international claims. International claims include loans and advances to customers, deposit with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At December 31, 2024	At December 31, 2023
Deposit with banks		
Asia Pacific, excluding mainland China	10,872.2	19,846.6
Europe	–	–
Total	10,872.2	19,846.6

Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

4. LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS BY GEOGRAPHICAL SEGMENTS

	At December 31, 2024	At December 31, 2023
Gansu Region	3,416,705	2,944,316
Mainland China, excluding Gansu Region	77,782	81,429
Total	3,494,487	3,025,745

5. GROSS AMOUNT OF LOANS AND ADVANCES OVERDUE FOR MORE THAN 90 DAYS

	At December 31, 2024	At December 31, 2023
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Overdue between three months to six months (inclusive)	694,286	341,674
– Overdue between six months to one year (inclusive)	1,104,193	690,980
– Overdue between one year to three years (inclusive)	898,037	801,266
– Overdue more than three years	797,971	1,191,825
Total	3,494,487	3,025,745
As a percentage of total loans and advances to customers		
– Overdue between three months to six months (inclusive)	0.31%	0.15%
– Overdue between six months to one year (inclusive)	0.49%	0.32%
– Overdue between one year to three years (inclusive)	0.40%	0.37%
– Overdue more than three years	0.35%	0.55%
Total	1.55%	1.39%

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

6. NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At December 31, 2024 and December 31, 2023, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.